Agriculture Provisions of the Uruguay Round

U.S. Department of Agriculture
Foreign Agricultural Service

DEPARTMENT OF AGRICULTURE
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TO: Assistant Secretaries
Agency Administrators

FROM: Eugene Moos, Under Secretary for International Affairs
and Commodity Programs

SUBJECT: Background Information on Uruguay Round Agreement

The recently concluded Uruguay Round under the General Agreement on Tariffs and Trade (GATT) will be undergoing intense public debate in the months ahead. To help answer questions on the subject, the U.S. Department of Agriculture's Foreign Agricultural Service has assembled the attached materials on the Uruguay Round and what it means for U.S. agriculture.

The Uruguay Round Agreement means a bigger and more lucrative market for U.S. farmers. Our farmers need growing export markets if they are to increase their incomes. The greatest future market potential for American food and agricultural products is outside the United States where nearly 96 percent of the world's consumers reside. The Uruguay Round Agreement will reduce the barriers that distort agricultural trade around the world. It will help enable American farmers to do what they do best--produce food and fiber and market them at competitive prices in world markets. All Americans will benefit from an agricultural sector that can fully use its productive capacity.

We hope these materials will be useful to you. As additional materials are prepared throughout the next few months, we will send them to you as well.

Attachments

3/29

GATT/Uruguay Round

AGRICULTURAL PROVISIONS OF THE URUGUAY ROUND

Including the Disciplines for

- **Market Access**
- **Export Subsidies**
- **Internal Support**
- **Sanitary and Phytosanitary Measures**

The Uruguay Round of Multilateral Trade Negotiations under the General Agreement on Tariffs and Trade (GATT) is the most comprehensive reform ever of the world trading system. On December 15, 1993, after 7 years of difficult negotiations, 117 countries reached an agreement to conclude the Uruguay Round negotiations, with obligations specified in the "Uruguay Round Final Act." This report explains the agricultural provisions of the Uruguay Round GATT agreement, with emphasis on the new disciplines for international agricultural trade.

January 1994
U.S. Department of Agriculture
Washington, DC

AGRICULTURAL PROVISIONS
OF THE URUGUAY ROUND

Contents

This report was prepared by the Foreign Agricultural Service of the U.S. Department of Agriculture with the assistance of William J. Hudson (The Pro Exporter Network®, Maumee, Ohio).

Introduction: The Uruguay Round and U.S. Agriculture

The products from over 30 percent of all U.S. crop acres are exported. U.S. farm income has become increasingly dependent upon agricultural exports. Trade has become the key source for growth in farm revenue and employment.

The General Agreement on Tariffs and Trade (GATT) is a multilateral accord, subscribed to by 115 nations, which together account for nearly 90 percent of world trade. Its basic aim is to liberalize world trade and place it on a secure basis, thereby contributing to economic growth and development. Established in 1948, the GATT is the only multilateral organization that lays down agreed rules for international trade. It also functions as the principal international body concerned with multilaterally negotiating the reduction of trade barriers and other measures which distort competition. Thus, GATT is both a code of rules and a forum in which countries can discuss and resolve their trade disputes and negotiate to enlarge world trading opportunities.

Progress in the GATT takes place in rounds of negotiations, of which seven have been completed since 1948. The eighth round, the Uruguay Round, commenced in 1986. The Uruguay Round is the first to significantly address comprehensive reform to improve conditions of international competition in agricultural trade. No previous round has been as important to U.S. agriculture, or as difficult to negotiate.

After over 5 years of negotiations the Director-General of the GATT submitted a compromise proposal that covered all areas of the negotiations. This proposal, the Draft Final Act, was the Director-General's effort to strike a compromise to bring the Round to a conclusion. The Draft Final Act was the basis for the Uruguay Round agreement reached on December 15, 1993, including the agreement on agriculture.

Export markets are important outlets for most of the principal commodities produced by U.S. agriculture, including wheat, rice, soybeans, cotton, tobacco, and corn, as shown in Figure 1. Altogether, exported products account for over 30 percent of U.S. agricultural acreage, as shown in Figure 2. The export of these agricultural products employs over 1 million Americans, as shown in Figure 3.

With this strong dependence on exports, U.S. agriculture has long been a supporter of freer world trade. Freer trade in all products is a necessary condition for sustainable economic growth and the primary source of new demand for farm products and growth in farm incomes.

The purpose of this report is to introduce the reader to the agricultural provisions in the Uruguay Round GATT agreement. This includes a brief discussion of the policy issues which led to the initiation of the Uruguay Round and a description of the principal mechanisms and provisions addressing trade distortions caused by market access barriers, export subsidies, internal support, and unjustified sanitary and phytosanitary measures. Additionally, this report provides background information on the negotiations and the terminology related to the Final Act.

ISSUES IN THE URUGUAY ROUND

General trade liberalization

1. Tariffs
2. Non-tariff barriers

Sector-specific trade liberalization

3. Natural-resource-based products
4. Textiles and clothing
5. Agriculture
6. Tropical products

Improvement of GATT as legal framework

7. GATT articles
8. GATT codes of practice
9. Safeguards against sudden import surges
10. Subsidies
11. Intellectual property rights
12. Trade-related investment measures
13. Services

Improvement of GATT as an institution

14. Dispute settlement
15. Functioning of GATT system

Each of these areas will have important implications for agricultural trade.

Figure 1. PORTION OF PRINCIPAL U.S. FARM PRODUCTS EXPORTED

Average 1979-89

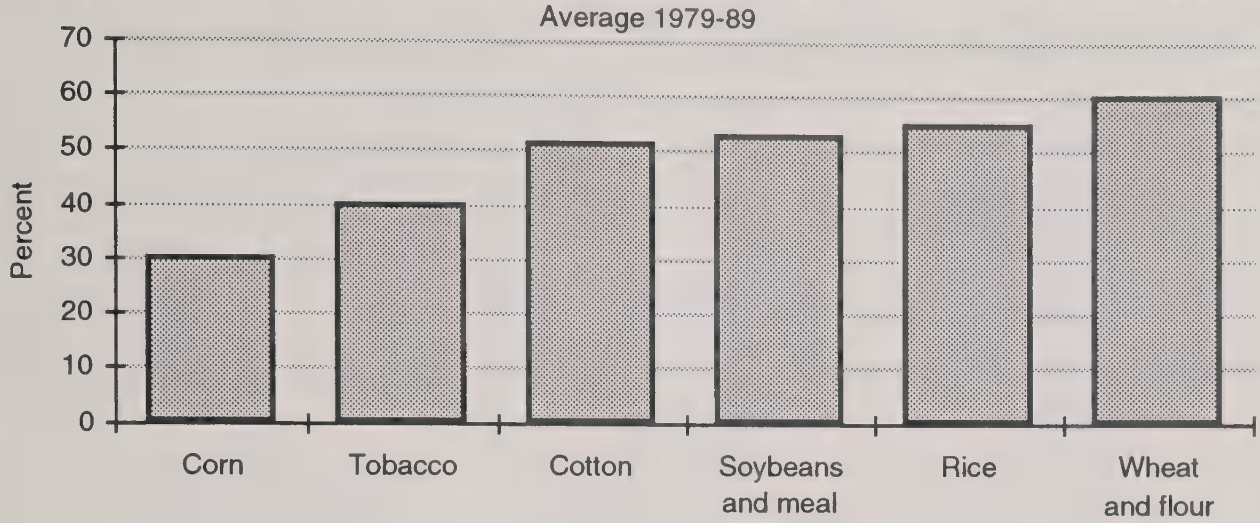


Figure 2. PORTION OF U.S. CROP ACRES DEVOTED TO EXPORT

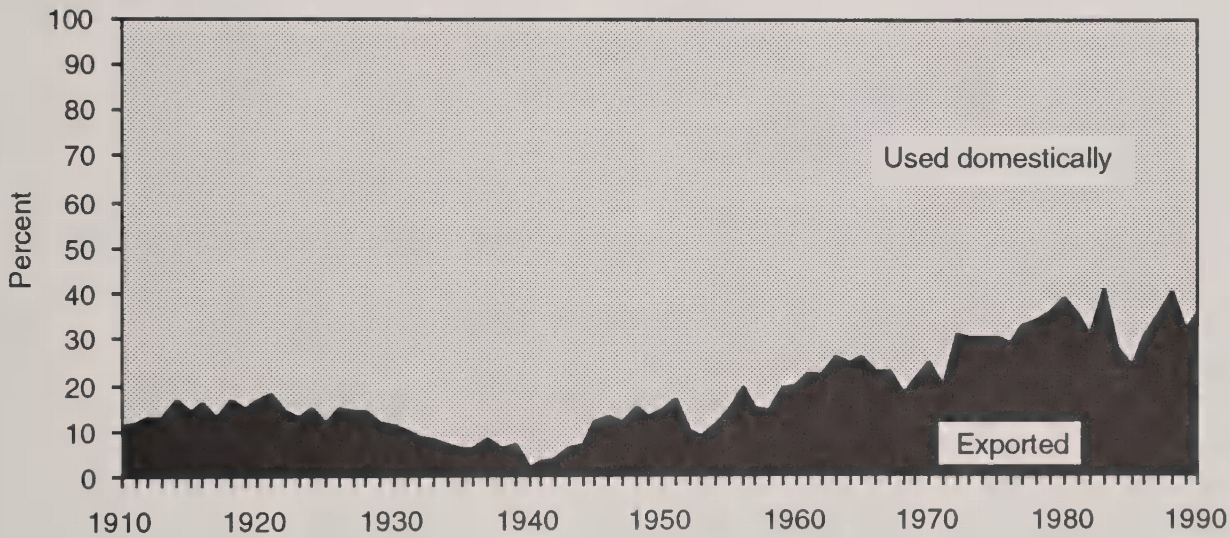
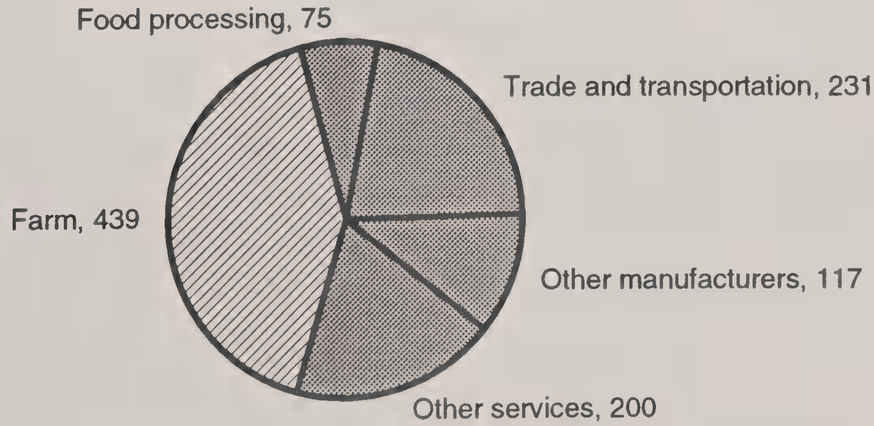


Figure 3. U.S. JOBS DEPENDENT ON AGRICULTURAL EXPORTS

In thousands, 1990.

Of the total 1.062 million, most are off farm.



Goals of the Uruguay Round

The agriculture negotiations in the Uruguay Round focused on the causes of unfair competition in world agricultural trade.

Increasing levels of government support and protection for agriculture globally in the mid-1980s reinforced the need for agricultural trade reform in the new round of trade negotiations. Figures 4 and 5 show how agricultural support levels increased in the years leading up to the initiation of the Uruguay Round. International agricultural markets were distorted by the use of high price supports and restrictive import barriers, which protected domestic producers while denying competitive foreign producers the opportunity to sell their products in these markets. High price supports in some countries led to surplus production which was dumped on world markets with the aid of export subsidies.

The increased impact of trade barriers and subsidies on agricultural trade resulted in rising trade friction between countries. The GATT was ill-equipped to deal with this situation because trade in agriculture was covered by a number of special provisions that made the GATT an ineffective forum for resolving trade disputes. Therefore, GATT members made reforming agricultural trade a central focus of the new round of trade negotiations.

When the Uruguay Round was launched at Punta del Este, Uruguay in September 1986, trade ministers from the 92 countries represented there agreed that the goal of the negotiations on agriculture would be to "achieve greater liberalization of trade in agriculture and bring all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines." In addition, the new and more effective dispute settlement procedures will help accomplish this goal.

The United States decided to attack the problem from several directions. Early in the Uruguay Round the United States proposed that reform of agricultural trade take place in terms of disciplines in four major areas: (1) market access; (2) export subsidies; (3) internal support policies; and (4) rules governing sanitary and phytosanitary measures. Disciplines in these four areas form the basis of the Uruguay Round agreement on agriculture.

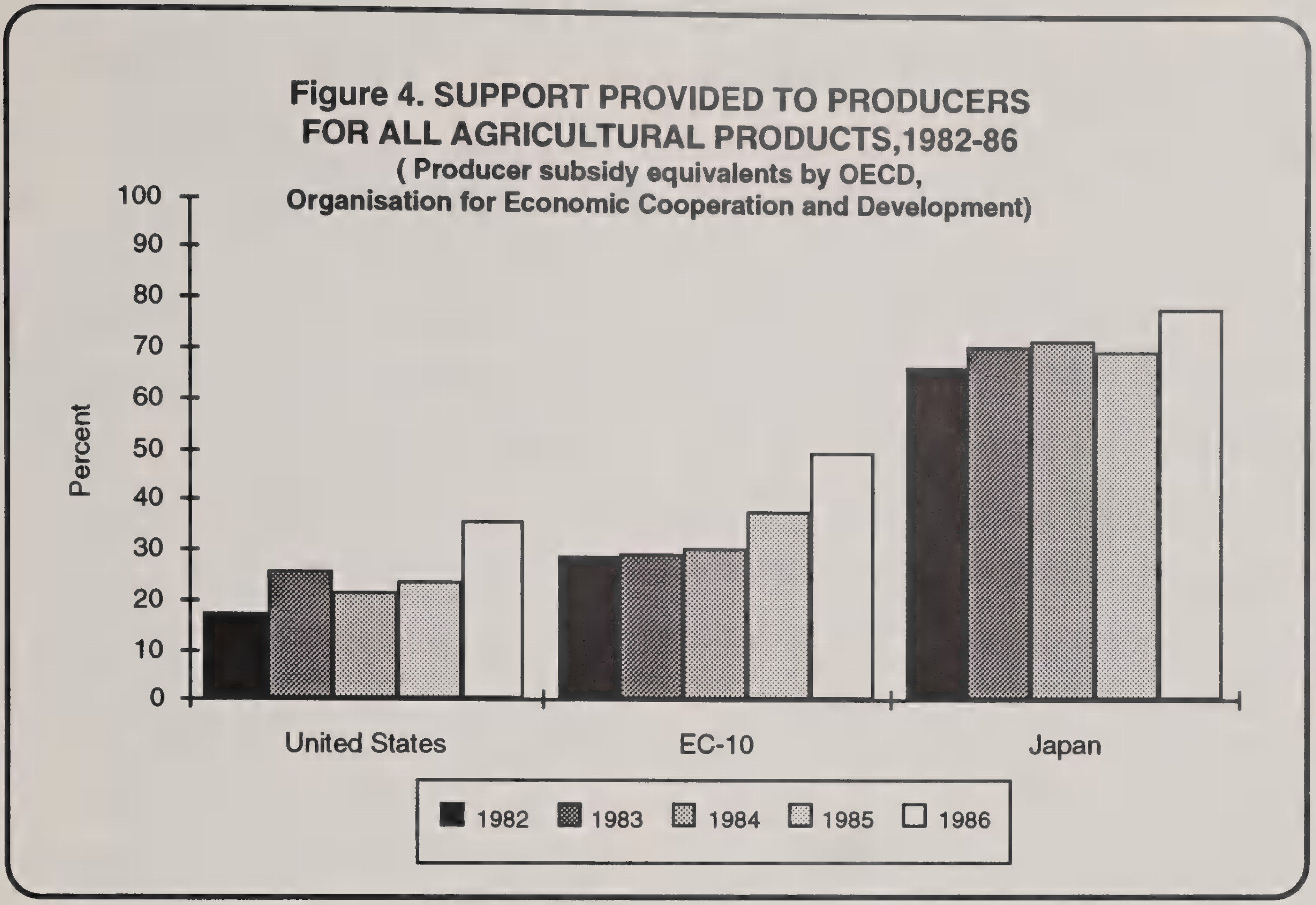


Figure 4. SUPPORT PROVIDED TO PRODUCERS FOR ALL AGRICULTURAL PRODUCTS,1982-86
(Producer subsidy equivalents by OECD, Organisation for Economic Cooperation and Development)

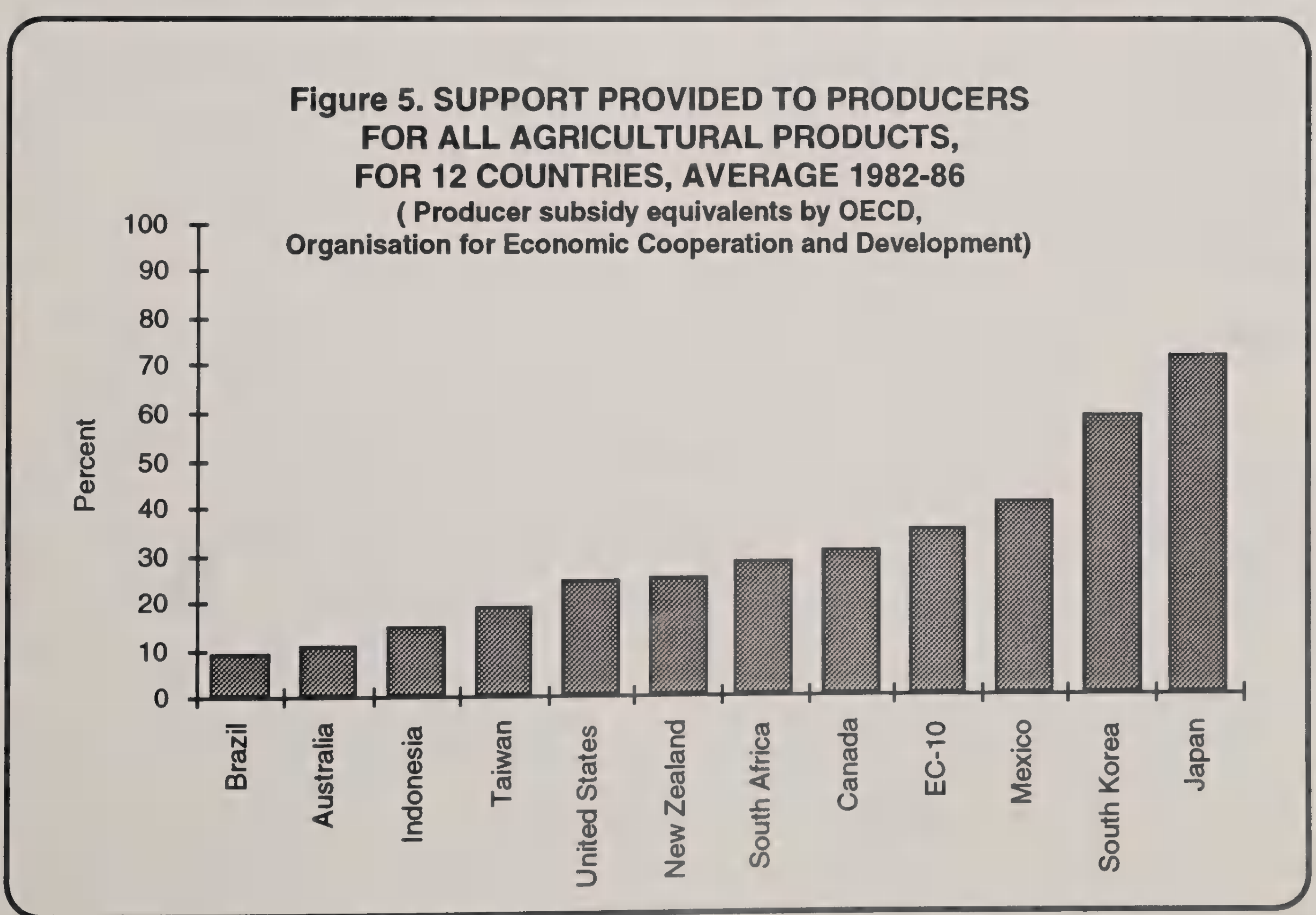


Figure 5. SUPPORT PROVIDED TO PRODUCERS FOR ALL AGRICULTURAL PRODUCTS, FOR 12 COUNTRIES, AVERAGE 1982-86
(Producer subsidy equivalents by OECD, Organisation for Economic Cooperation and Development)

Basic Elements of the Uruguay Round Agricultural Provisions

The Uruguay Round agreement provides a new set of rules governing international agricultural trade and requires commitments by countries to reduce trade-distorting practices.

Structure of the Uruguay Round agreement. The Uruguay Round agricultural agreement is built around disciplines in the four areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a series of commitments to immediately increase liberalization in agricultural trade. These commitments, summarized on the following page, will appear in country schedules and represent formal GATT commitments (although these specific percentages are not indicated in the text of the Final Act).

(1) *MARKET ACCESS*: The Final Act identifies non-tariff barriers (for example, quotas, variable levies, restrictive licensing, etc.) which must be converted into an ordinary tariff. (This conversion process is referred to as "tariffication.") The negotiating countries have agreed to reduce these and other (pre-existing) tariffs over the course of the Uruguay Round implementation period, in order to bring down the high level of protection in agriculture. In addition, for products subject to the tariffication process, countries agreed to maintain current access opportunities and to establish quantitative commitments for new access opportunities if imports in the base period were very low or non-existent. This will ensure that the tariffication process maintains or increases, but does not reduce, market access over the short term.

(2) *EXPORT SUBSIDIES*: The Final Act identifies export subsidy policies subject to reduction commitments and requires countries to cut both the quantity of subsidized exports and the budgetary outlay for such subsidies. The quantity cuts are the more effective form of discipline, ensuring that the market impact of export subsidies will decline. The budgetary outlay cut is a supplementary discipline, generally not as effective by itself as the quantity cuts.

(3) *INTERNAL SUPPORT:* The Final Act identifies trade-distorting (amber) domestic policies, which will be subject to reduction commitments. The support provided by these policies will be measured on a common basis -- the Aggregate Measurement of Support (AMS) and be subject to reduction commitments. Direct payments classified as amber policies that are linked to certain production-limiting policies will not be subject to reduction commitments. Non-trade-distorting (green) domestic policies will not be subject to reduction commitments.

(4) *SANITARY AND PHYTOSANITARY*: The Final Act calls for countries to employ a scientific basis for determining all health-related measures that affect trade. The Final Act encourages the greater use of international standards (such as those of the Codex Alimentarius Commission and others) but recognizes the right of GATT members to maintain standards stricter than those of international organizations, provided such standards are based on science.

Base Periods. The calculation of all reduction commitments will begin with the average levels of the base period. A multiple-year base period is used to smooth out year-to-year changes in prices, production, consumption, trade, and government support and modulates occasional shocks such as weather that affect production and trade. This multiple-year period is more likely than a single-year period to treat all commodities in an equitable manner.

For example, if a country's subsidized exports of a commodity were 200 tons in 1986, 300 tons in 1987, 300 tons in 1988, 200 tons in 1989, and 500 tons in 1990 its average base period quantity would be 300 tons. This base period quantity would be subject to a 21-percent reduction. At the end of the implementation period the country would not be able to subsidize the export of more than 237 tons per year.

Implementation. Commitments made on the Final Act will be phased in over 6 years, starting in 1995.

Special and Differential Treatment. Developing countries have lesser reduction commitments, which can be implemented over 10 years.

SUMMARY OF THE AGRICULTURE PROVISIONS

Implementation Period:

- 6 years, beginning in 1995 (10 years for developing countries)

Market Access:

- Establish base period 1986-88
- Convert non-tariff barriers (NTBs) to tariff equivalents
- Reduce tariffs (including tariff equivalents) by 36 percent on a simple average basis
- Establish minimum tariff cut for each product by 15 percent
- Require minimum access of 3 percent, expanding to 5 percent of base period domestic consumption for products covered by NTBs
- Maintain current access for products covered by NTBs with greater than 5 percent access
- Establish special quantity-triggered and price-triggered import safeguards for agricultural products subject to tariffication

Export Subsidies:

- Establish base period 1986-90
- Reduce quantity of subsidized exports from 1986-90 base by 21 percent
- Reduce budgetary outlays for export subsidies from 1986-90 base by 36 percent
- Begin reductions from the higher of 1986-90 average or, under certain conditions, the 1991-92 average
- Make reduction commitments on a product-specific basis
- Impose budgetary disciplines on export subsidies for processed products
- Ban use of export subsidies for products not subsidized during the base period

Internal Support:

- Establish base period 1986-88
- Reduce Total Aggregate Measurement of Support by 20 percent
- Give credit for reductions made since 1986
- Establish criteria for non-trade-distorting policies
- Provide criteria for production-limiting policies

Sanitary and Phytosanitary (SPS) Measures:

- Base SPS measures on science, using risk assessment methodologies
- Encourage the use of international standards but recognize the right to use stricter standards
- Require transparency in development and implementation of SPS measures

Special and Differential (S&D) Treatment for Developing Countries:

- Require lesser reduction commitments for developing countries, equal to two-thirds of corresponding commitment for developed countries, to be implemented over 10 years
- Exempt least-developed countries from reduction commitments

Market Access Provisions

To improve access to protected markets, the Uruguay Round provisions specify that non-tariff barriers (NTBs) be converted to ordinary tariffs, that all tariffs be reduced, and that minimum access opportunities be established and current access opportunities maintained.

Governments restrict access to their markets using customs tariffs as well as a wide variety of non-tariff barriers (NTBs). The presumption of the General Agreement on Tariffs and Trade has been that NTBs are inherently more trade-distorting than tariffs because they allow the user to discriminate between suppliers, they are not predictable and transparent to the exporter, they establish a maximum ceiling on imports, and they often keep out lower-cost (efficiently produced) goods. Therefore, the Final Act will eliminate the use of existing NTBs in agricultural trade through tariffication and through prohibiting the adoption of new NTBs. In addition, countries have agreed to provisions for improving market access opportunities for agricultural products in the Uruguay Round.

Tariffication. The Final Act requires existing non-tariff border measures to be converted to their tariff equivalents. The tariff equivalent of a product covered by NTB is equal to the difference between the average internal price for the product and a representative average world market price for the same or a similar product. Countries use the difference, also called the price gap, to establish either a specific or an *ad valorem* tariff. Tariff equivalents for processed products generally will not be calculated from direct price comparisons. Most are calculated on the basis of the tariff equivalents for the component products multiplied by their proportion in the product.

Reduction Commitments. Both ordinary customs duties and tariffs established under tariffication will be reduced from their base period (1986 for existing tariffs, 1986-88 for tariff equivalents) rates on a simple average basis by 36 percent, with a minimum cut of 15 percent required for each tariff (24 percent and 10 percent respectively for developing countries). Reduction commitments will be implemented in equal installments over 6 years (10 years for developing countries). All tariffs and tariffs resulting from tariffication will be bound, i.e., a country may not charge higher rates than the bound rates without compensating its trading partners.

Minimum Access. Where imports of a product subject to tariffication are less than 5 percent of domestic consumption in the base period, countries will establish minimum import access opportunities. Countries will provide an access opportunity for imports equal to 3 percent of base period consumption in the first year of the agreement, increasing to 5 percent by the end of the implementation period. To ensure that this minimum access opportunity can be met, the quantity of imports within the minimum access commitment will be subject to a low duty, while any imports over that quantity will be subject to the tariff established through tariffication.

Current Access. If imports of a product subject to tariffication exceeded 5 percent of domestic consumption in the base period, countries must maintain the access opportunity that existed during the base period.

Special Safeguard Provisions. The Final Act establishes a special safeguard for products subject to tariffication, allowing countries to respond to sudden import surges or drops in prices. The safeguard will have price and quantity triggers.

MAJOR CLASSES OF TRADE RESTRICTIONS BEING ADDRESSED IN THE URUGUAY ROUND

•**Tariffs**
--Specific tariffs, imposed according to the physical quantity of an import (so much per ton, per liter, per item, etc.)
--Ad valorem tariffs, levied according to the worth of the import (often fixed as a percent of the value stated on the invoice)
•**Non-tariff barriers (NTBs)**, such as
--Quotas
--Import prohibitions
--Variable import levies
--Minimum import prices
--Discretionary import licensing

SUMMARY OF URUGUAY ROUND MARKET ACCESS PROVISIONS

BASE PERIOD: 1986-88

IMPLEMENTATION PERIOD: 6 years, beginning in 1995 (10 years for developing countries)

REDUCTION COMMITMENT:

- Make reductions in equal annual installments beginning in 1995
- Cut ordinary tariffs and tariffs established under tariffication by 36 percent on a simple average basis
- Cut each tariff by at least 15 percent
- Bind all tariffs, including those resulting from tariffication

TARIFFICATION:

- Convert non-tariff border measures to tariff equivalents (TEs)
- TE equals the difference between the average internal price and a representative average world market price at the border
- TE applied to imports as a specific or as an *ad valorem* tariff
- Tariff equivalents for processed products generally equal TEs for the component products multiplied by their proportion in the processed product
- Allows for delay of tariffication only under certain conditions, including expanded access commitments

MINIMUM ACCESS:

- Applies only to products subject to tariffication with imports below 5 percent of domestic consumption in the base period
- Establish 3 percent minimum access opportunity in the first year of the agreement, growing to 5 percent by the end of the agreement
- Implement through tariff-rate quotas, i.e., the minimum access quantity of the product is subject to a low or minimal tariff, and imports over that volume are subject to the tariff established under tariffication

CURRENT ACCESS:

- Applies only to products subject to tariffication with imports exceeding 5 percent of domestic consumption in the base period
- Countries commit to maintain access opportunities equivalent to those existing in the base period

SPECIAL SAFEGUARD PROVISIONS:

- Special temporary agricultural safeguard mechanism for products subject to tariffication
- Triggered if volume of imports exceeds average of previous three years of imports by certain trigger level, with the trigger level based on imports' proportion of consumption in the importing country
- Triggered if price of imported product drops 10 percent below average 1986-88 world reference price

SPECIAL AND DIFFERENTIAL TREATMENT:

- Average reduction commitment for developing countries will be 24 percent and minimum reduction will be 10 percent, implemented over a 10-year period
- Developing countries have flexibility to establish ceiling bindings
- Least-developed countries subject to tariffication and binding but exempt from reduction commitments

Export Subsidy Provisions

The Uruguay Round provisions specify reductions in both budgetary outlays for export subsidies and actual quantities of products exported with subsidy.

Export subsidies are almost universally recognized as the most trade-distorting of government policies. They allow subsidizing countries to displace naturally efficient producers in world markets. Earlier rounds of multilateral trade negotiations were successful in virtually eliminating export subsidies for industrial products; the Final Act will begin the process of reducing the use of export subsidies in agricultural trade.

Definition. All practices considered to be direct export subsidies will be disciplined under the terms of the Final Act. The policies that are considered to be export subsidies include: direct subsidies; disposal of government stocks below market prices; producer-financed export subsidies; marketing subsidies; transportation and freight subsidies; and subsidies for commodities contingent on their incorporation in exported products.

Reduction Commitments. The Final Act requires reductions in volume and value on a product-specific basis. The allowable quantity of product exported with subsidy will be reduced by 21 percent from the average level in 1986-90, by the end of the implementation period. The allowable budgetary outlays for export subsidies will be reduced by 36 percent from the average level in the 1986-90 base period. Equal annual reductions will be made to reduce the quantity and the budgetary outlays beginning from the 1986-90 base or, under certain conditions where export subsidies have increased, the 1991-92 average.

Disciplining the budgetary outlay and the quantity of subsidized exports ensures that countries control the use of subsidies in all kinds of market conditions. The quantity commitment will be the more effective limit on subsidized exports for the following reasons. Internal prices in subsidizing countries should be reduced under the internal support disciplines of the agreement. Moreover, analysts expect world prices to increase for most commodities as agricultural trade is liberalized and market distortions are reduced. When the gap between domestic and world prices narrows, the budgetary cost of export subsidies should decline and participants could conceivably meet their budgetary outlay commitments without reducing the quantity of subsidized exports. The quantity commitment will prevent this. Nevertheless, reducing export subsidy budgetary outlays is an important complementary discipline; in the unlikely event that world prices fall, the limit on expenditures could be more binding than the volume commitment. Processed products will be subject to the budgetary discipline only.

Controls on Extension of Subsidies. If a product did not receive export subsidies during the base period, the Final Act prohibits countries from extending export subsidies to that product in the future.

Circumvention. The Final Act recognizes the risk of circumventing the export subsidy requirements through the improper use of food aid and export credit and credit guarantee programs. If these programs are not operated in accordance with international guidelines, they will be subject to discipline.

SUMMARY OF URUGUAY ROUND EXPORT SUBSIDY PROVISIONS

BASE PERIOD: 1986-90

IMPLEMENTATION PERIOD: 6 years, beginning in 1995 (10 years for developing countries)

EXPORT SUBSIDIES SUBJECT TO REDUCTION COMMITMENTS:

- Direct subsidies contingent on the export of the product
- Sale or disposal of government stocks below domestic prices
- Producer-financed export subsidies
- Marketing subsidies
- Transportation or freight subsidies
- Subsidies for a primary product contingent on its incorporation in an exported product

REDUCTION COMMITMENT:

- Cut the quantity of products exported with subsidy during 1986-90 by 21 percent
- Cut the budgetary outlays for export subsidies during 1986-90 by 36 percent
- Begin reductions from the 1986-90 average or, under certain conditions, the 1991-92 average
- Make reductions on a commodity-specific basis

NO NEW PRODUCTS:

- Limit export subsidies to products receiving export subsidies during the base period

PROCESSED PRODUCTS:

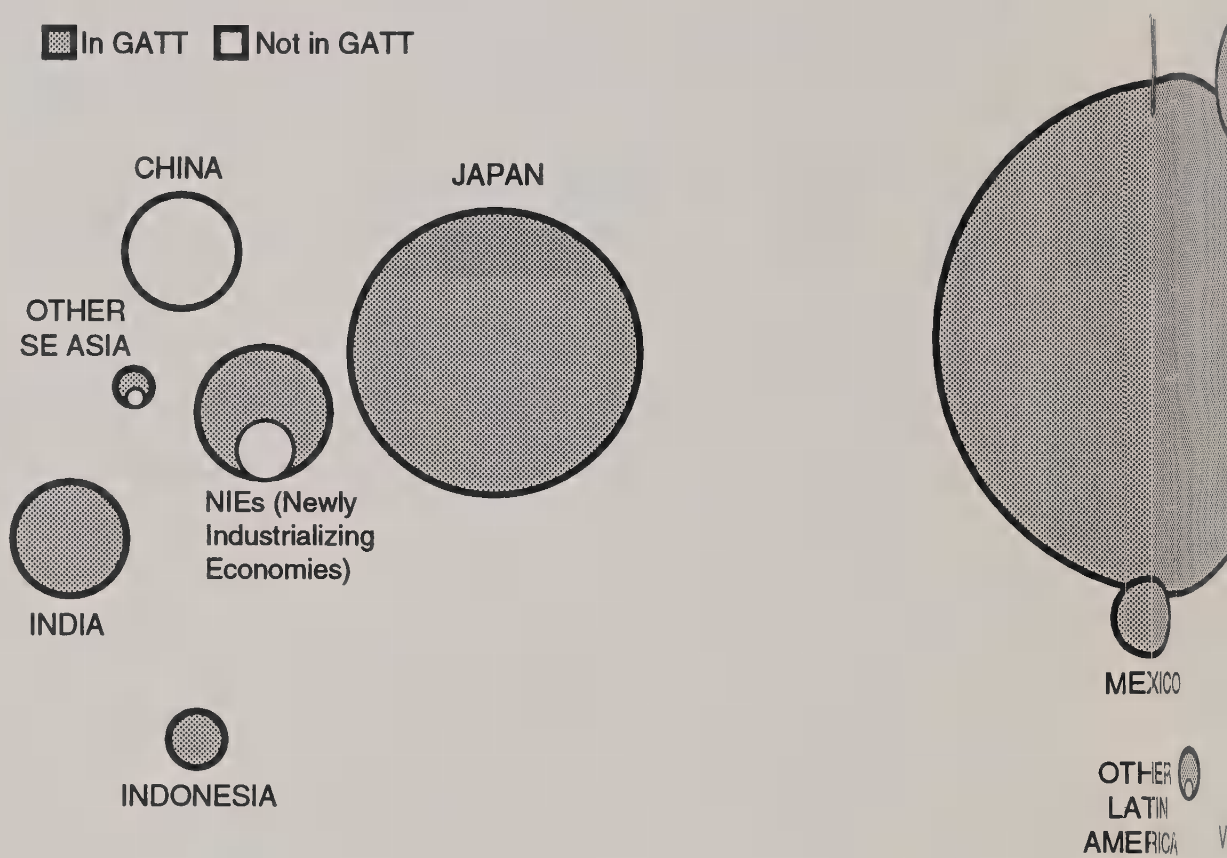
- Reduce only budgetary outlays for export subsidies

SPECIAL AND DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES:

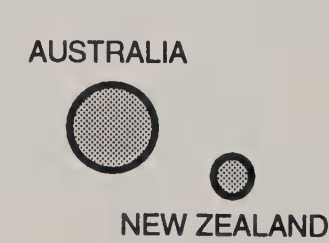
- Cut the quantity of products exported with subsidy during 1986-90 by 14 percent
- Cut the budgetary outlays for export subsidies during 1986-90 by 24 percent
- Allow marketing and internal transport subsidies
- Implement reductions over a 10-year period

SIZE AND STRUCTURE OF W

(Relative Gross National Prod



The world economy has three main hubs—Japan, the United States, and the European Community. The majority of trade takes place between these three hubs. Trade relations between the three big players hold the key to future growth for all countries. Regional free trade initiatives can add significantly to trade and output, but a multilateral agreement has the most power. A strong GATT also provides the context for successful bilateral dispute settlement.



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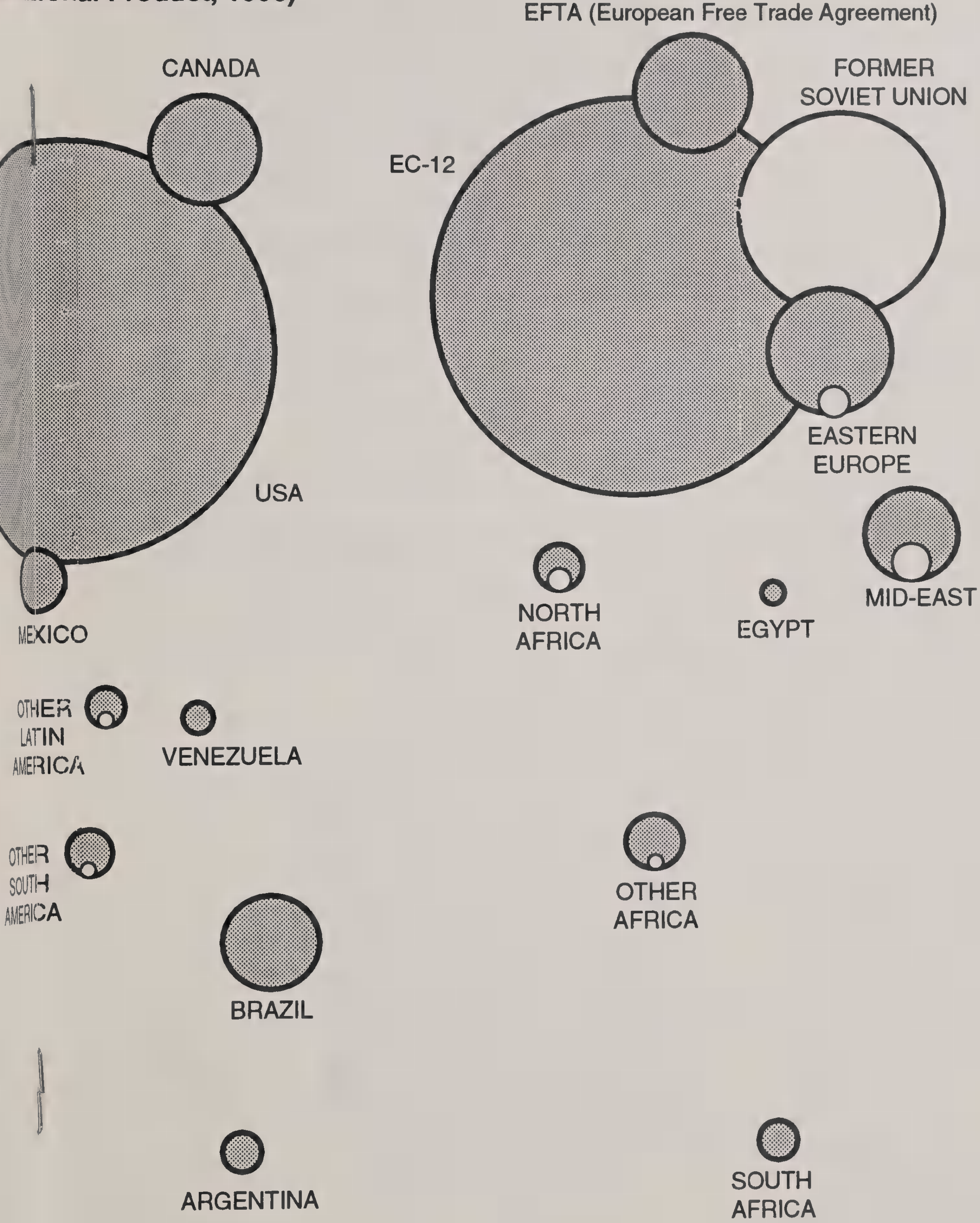


Internal Support Provisions

The Uruguay Round provisions establish the Aggregate Measurement of Support as a means to quantify and reduce the amount of trade-distorting support provided through domestic policies.

Governments provide internal support to agriculture through a wide variety of policies. Many of these policies distort agricultural markets and trade by stimulating over-production or by inducing production of certain commodities. The Final Act establishes criteria to classify policies that distort trade (amber) and policies that do not distort trade (green). Examples of amber and green policies are shown opposite. Amber policies are quantified and reduced using an Aggregate Measurement of Support (AMS); green policies are exempt from reduction commitments. Governments may continue to provide support to agriculture; the provisions of the Final Act will limit the negative effects of government support.

Aggregate Measurement of Support. The AMS is a means of quantifying the effects of trade-distorting policies that are costs either to taxpayers (e.g., government payments) or to consumers (i.e., policies that maintain high food prices). The AMS for a commodity includes some or all of three components, expressed in national currency: market price support, non-exempt direct payments to producers, and other internal policies to be disciplined. Market price support is measured by the gap between domestic and world market prices for the commodity, multiplied by the quantity of production eligible for support. Support provided through non-exempt direct payments is also measured using this price gap methodology. Other internal policies, such as storage payments and interest subsidies, are measured by government budgetary outlays or the revenue forgone by the government. The sum of the support provided by these three components, less producer assessments, will equal the AMS for a specific commodity.

The Final Act calls for calculating a Total AMS by summing up the individual AMS's for each commodity, and including support that is generally available to agricultural producers. Generally available support, such as irrigation subsidies and certain government credit subsidies, is measured in terms of budgetary outlays or revenue forgone.

Reduction Commitments. The Total AMS must be capped at the 1986-88 base level and reduced by 20 percent beginning in 1995, in equal annual installments over 6 years. The AMS reduction obligation requires that in each year a country's Total AMS not exceed the new reduced cap established in the agreement. Direct payments that meet certain production-limiting requirements, such as U.S. deficiency payments, will be included in the calculation of the base Total AMS but will not be counted against a country's annual allowable limit for the AMS. Each country will be able to use its own discretion in deciding which policies to change to achieve the required reduction in the Total AMS.

Credit. Countries that have reduced their support for particular products since 1986 will receive credit for their cuts. Because the United States reduced support for many commodities in 1985 and 1990 farm legislation and in various budget legislation, the United States need not make additional reductions in support to meet its Uruguay Round obligation.

Special and Differential Treatment. Developing countries are required to reduce their AMS by only 13%, implemented over a 10-year period. For developing countries some amber internal support policies will be exempt from reduction commitments: investment subsidies generally available to agriculture, support to producers to encourage diversification away from the growing of illicit narcotic crops, and agricultural input subsidies to low-income or resource-poor producers.

CLASSIFICATION OF POLICIES IN THE FINAL ACT

Amber Policies: Internal support policies that are considered to be trade-distortive because they involve transfers from consumers or are linked to production of specific commodities will be subject to reduction commitments.

- Price supports
- Marketing loans
- Acreage payments
- Payments based on number of livestock
- Input subsidies (seed, fertilizer, irrigation, etc.)
- Certain subsidized loan programs

Amber Policies Exempt from Reduction: Direct payments linked to certain production-limiting policies (e.g., payments under the current U.S. deficiency payments program) are exempt from reduction commitments.

Green (Permitted) Policies: Policies that are provided through taxpayer-funded Government programs that do not involve transfers from consumers and do not have the effect of providing price support to producers will be exempt from reduction commitments.

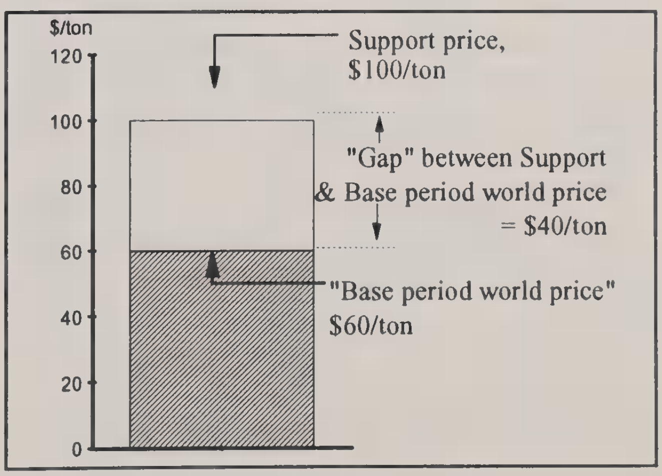
- General services (research, pest and disease control, training, extension and advisory services, inspection, marketing and promotion, infrastructural services)
- Public stock holding of commodities for food security reasons
- Domestic food aid
- Decoupled (not linked to production) income support
- Crop insurance and income safety-net programs
- Relief from natural disasters
- Structural adjustment assistance through producer reimbursement programs, resource reimbursement programs, or investment aids
- Environmental or conservation programs
- Regional assistance programs

GENERIC FORMULA FOR AGGREGATE MEASUREMENT OF SUPPORT (AMS)

Component	Unit	Comment
Market price support	$mil	Calculated as "price gap" x production supported
+		
Non-exempt direct payments	$mil	Such as marketing loans
+		
Other disciplined internal support	$mil	Such as storage payments, commodity loan interest subsidy, etc.
-		
Producer assessments	$mil	Such as dairy assessments, soybean loan origination fees, etc.
=		
Aggregate Measurement of Support (AMS)	$mil	

CONCEPT OF PRICE SUPPORT "GAP" USED IN AMS

Under the Final Act, reductions are made in terms of the aggregate amount of support a country gives to all agricultural commodities. This permits many different approaches to actual reductions. For instance, a country could either lower the support price to reduce the "gap" between a support price and a base period world price, or it could restrict the portion of production to which it applies (as was done in the United States under the 1990 Farm Bill and 1990 Budget Reconciliation Act).



Sanitary and Phytosanitary Provisions

The sanitary and phytosanitary (SPS) provisions discourage the use of unjustified health-related measures as disguised barriers to trade through agreement that SPS measures should be science-based.

Sanitary and phytosanitary measures refer to a procedure or requirement taken by governments to protect human, animal, or plant life or health from the risks arising from the spread of pests or diseases or from additives or contaminants found in food, beverages, or feedstuffs. The Final Act establishes a multilateral mechanism to ensure that health-related measures are not used as disguised barriers to trade.

Background. Virtually all GATT member countries, including the United States, support the need for a change in the existing GATT rules regarding health-related trade restrictions. Currently under the GATT, member countries have the right to adopt any measure deemed necessary to protect human, animal, or plant health. However, the rules are so vague that many countries use "health requirements" as barriers to trade that have nothing to do with health protection. The SPS text requires that health-related measures be based on science.

SPS Provisions. Under the SPS text of the Final Act, each nation will continue to make a sovereign determination of its acceptable level of risk. A nation will set its own food safety and animal health and plant health standards based on risk assessment and its determination of an acceptable level of risk. Alternatively, countries may use international standards. The SPS text recognizes the right of countries to maintain standards which are stricter than international standards. However, stricter measures should be justified by science or by a non-discriminatory lower level of acceptable risk.

Three international scientific organizations are recognized for their expertise in setting standards. They are: the Codex Alimentarius Commission (CODEX), the International Office of Epizootics (OIE), and the International Plant Protection Convention (IPPC). One of the long-term goals of the SPS text is to promote harmonization based on the standards of these organizations. Harmonization will be encouraged but not required.

Other important principles incorporated into the SPS text are equivalency, risk assessment, pest/disease-free areas, and transparency. The principle of equivalency means that if an exporting country's measures ensure the level of health protection desired by the importing country, then those measures should be acceptable even if they are different from those used by the importing country. Equivalency recognizes that different methods may be used to achieve the same level of health protection.

Risk assessment refers to the technical assessment of the nature and magnitude of risk, and involves an effort to quantify the specific level of risk posed by a substance or situation. Countries should ensure that SPS measures are based on scientific risk assessment.

Pest- or disease-free status has traditionally been considered country-by-country or by political boundaries. The SPS text proposes an "area within a country" approach. In other words, exports should be possible from a particular area within a country if a country can demonstrate that the area is and is likely to remain free of a pest or disease, even if the surrounding areas of the country are not free of the pest or disease.

Transparency refers to the manner in which health-related measures are formulated and adopted by countries. The SPS text encourages openness in the development of SPS measures. Countries should also make information regarding SPS requirements available to interested parties and should notify them of any changes in health-related measures that may affect trade.

SCIENTIFIC ORGANIZATIONS WITH RECOGNIZED INTERNATIONAL STANDARDS RECOMMENDED AS REFERENCE POINTS

- The Codex Alimentarius Commission (Codex) is concerned with protecting the health of consumers, ensuring fair practices in food trade, and promoting the coordination of food standards. Standards are created through consensus within individual Codex committees. Codex was established in 1963 and has 144 member countries. Government regulators, scientists, and consumer and industry representatives contribute to Codex in both official and advisory capacities. For example, the United States is represented by regulators from such agencies as the Food and Drug Administration, the Environmental Protection Agency, and the U.S. Department of Agriculture's Food Safety and Inspection Service.

- The International Office of Epizootics (usually known by its acronym in French - OIE) is concerned with health and sanitary requirements for the import and export of animals. The OIE has 127 member countries and is the oldest international veterinary organization, dating back to 1924. It maintains a worldwide reporting system for livestock diseases. The primary U.S. agency involved in the work of the OIE is the U.S. Department of Agriculture's Animal and Plant Health Inspection Service.

- The International Plant Protection Convention (IPPC) develops plant quarantine requirements and other measures to prevent the international spread of plant pests and diseases. IPPC dates back to the 1950s and has 88 signatory countries at this time. The IPPC treaty works mainly through regional groups, such as the North American Plant Protection Organization (NAPPO). Other regional plant protection organizations exist in Asia, Africa, South America, the Caribbean, and Europe. The primary U.S. agency involved in the work of the IPPC is the U.S. Department of Agriculture's Animal and Plant Health Inspection Service.

Dispute Settlement Procedures

The Final Act provides for significant improvements in the prompt, reliable, effective, and fair resolution of disputes which will improve the adherence to GATT provisions.

While governments have long recognized the need for an effective means to ensure that parties to an agreement meet their obligations, it has taken a considerable period of time and experience to develop such a "dispute settlement mechanism" in the context of the GATT. Over the more than 45 years of its existence, the GATT dispute settlement mechanism has evolved from a political, non-legalistic system into a special form of binding arbitration. The dispute settlement understanding, which is one of the Uruguay Round agreements, makes important changes in the current system to ensure that; (1) decisions on disputes will be made promptly, (2) a single government cannot block a decision, and (3) governments bring their laws into conformity with their obligations in a specified period of time or if changes are not made, compensatory action may be taken.

Existing System: The existing GATT dispute settlement system relies heavily on the use of consultations between affected parties to achieve bilateral resolutions of trade disputes. Disputes that cannot be resolved through consultations may be referred to a panel of experts for a decision on the merits of the complaint. Although most disputes under the GATT concern violations of the agreement, some disputes concern actions that, while not in violation of the agreement, have the effect of nullifying or impairing the benefits of the agreement (typically tariff concessions). These are "non-violation" cases.

If a panel finds that a party is in violation of its GATT obligations, the offending party has an obligation to come into compliance with the GATT within a reasonable period of time, and if it does not it is obligated to offer adequate compensation. If this does not occur the members of GATT can authorize the complaining party to retaliate. In "non-violation" cases, a party is not necessarily required to change its policies but must restore the expected benefits through appropriate compensation.

Because the existing GATT acted by consensus at all stages of the dispute settlement process, the defending party has been able to block the formation of a panel, block the adoption of the panel's report, or block the authorization of retaliation. Since the early 1980s when the EC blocked adoption of several panel reports concerning EC agricultural measures, there has been a growing concern that the GATT's existing dispute settlement mechanisms are not sufficient. It is for this reason that the Uruguay Round set ambitious goals for the improvement of the GATT dispute settlement mechanism.

New System: The new dispute settlement procedures should help to resolve a number of the problems that have contributed to the ineffectiveness of the GATT in governing trade in agriculture. As under the existing system, the dispute settlement process will begin with consultations between the affected parties and then will proceed to a panel of experts if necessary. Under the new rules, a party cannot block the formation of a panel and strict time limits are imposed for each step of the process. Once the panel has issued a report, it will no longer be possible for either party to block adoption of the report. However, one new feature in the process is the right to appeal the panel's decision on questions of law and legal interpretation. Perhaps the most significant improvement in the process is that the complaining party will automatically be given the right to retaliate if the offending party does not implement the recommendations of the panel within the agreed or arbitrated time limits.

Exemptions: The Final Act establishes that countries will be exempt from certain GATT challenges ("serious prejudice," and "non-violation") in the area of agricultural subsidies if the country is meeting the reduction obligations established in the Uruguay Round. In addition, to have the exemption for a domestic subsidy, support for a specific commodity cannot have increased over the 1992 level. These exemptions do not apply to market access provisions and are in effect only for a 9-year period beginning in 1995. The exemptions described above are part of what is sometimes informally called the "peace clause."

SUMMARY OF DISPUTE SETTLEMENT PROVISIONS IN FINAL ACT

The dispute settlement understanding creates new procedures for dispute settlement for all the agreements negotiated in the Uruguay Round, including for agreements on agriculture, sanitary and phytosanitary measures, intellectual property, and services.

INTEGRATED SYSTEM. The dispute settlement understanding provides a fully integrated dispute settlement system that will be administered by the Dispute Settlement Body. All members of the new World Trade Organization (WTO) will participate in Dispute Settlement Body decisions. Under that system, the same procedures will apply to disputes arising under all the areas negotiated in the Round, subject to any special or additional procedures in those agreements.

AUTOMATICITY. The text provides for automatic adoption of dispute settlement panel reports with a right of appeal to a standing appeals tribunal, and a process by which the right to retaliate will be automatically granted if a losing party has not implemented panel recommendations within the time agreed by the two parties involved or determined through arbitration.

TIME LIMITS. The text contains maximum time limits for certain phases of the dispute settlement process. With these time limits, it will be possible to conclude panel proceedings and obtain an adopted panel report in roughly 14 months or less after requesting consultations.

APPEALS PROCEDURE. To hear appeals the text provides for the establishment of a standing body whose members will be persons of recognized authority, with demonstrated expertise in law, international trade, and GATT matters generally. Appeals will be limited to issues of law and legal interpretation, and the appeal will be completed within 90 days.

CROSS-RETALIATION. The dispute settlement understanding also includes a text providing principles and procedures for "cross-retaliation," i.e., across sectors and across agreements, that will be authorized under a new integrated dispute settlement system.

AUTHORIZED RETALIATION. The Dispute Settlement Body must authorize retaliation, such as increased tariffs, to address the nullification or impairment if the offending measure is not changed. Since the retaliation is authorized, there is no risk of counter-retaliation.

Key Players in the Uruguay Round

The key players in the Round have been the United States, the European Community, Japan, the Cairns Group of exporters, the developing countries, the Republic of South Korea, the Nordics, and the Net Food Importing Developing Countries.

At the beginning of the Uruguay Round, as had been the case in earlier rounds, sharp differences developed between competitive agricultural exporting countries and less competitive countries that wanted to shield their domestic producers from competition from less expensive imports. However, as negotiations progressed, all countries displayed a growing recognition of the importance and inevitability of agricultural trade reform. The competitive exporting countries were led in the negotiations by the United States and the Cairns group of 14 major agricultural exporting countries interested in improving their access to other countries' markets and in removing the flood of subsidized exports on world markets. In addition to these major exporters, other developing and middle-income countries supported increased trade liberalization to spur economic growth. Resistance to trade reform was led by the EC, which wanted to continue to shield its less competitive domestic producers from foreign competition while maintaining its exports. The EC was joined by others, primarily wealthy countries that did not want to expose their domestic producers to competition.

European Community. The European Community (EC) is among the world's largest exporters and importers of agricultural products. (The European Community formally changed its name to the "European Union" in late 1993.) The EC's exports are largely subsidized and result from surplus production induced by its Common Agricultural Policy (CAP). Key features of the CAP include internal prices maintained well above world market levels and protection of domestic producers through variable import levies. These policies have shielded EC producers from competition and encourage surplus production, which then has to be sold on the world market with the help of export subsidies. During the Uruguay Round negotiations the EC initiated a reform process for the CAP, which included the greater use of direct payments and less reliance on market price supports.

Japan. Japan is among the world's largest agricultural importers, and it has traditionally maintained a high level of protection for its domestic producers.

Cairns Group. This group of agricultural exporting countries is made up of Australia, Argentina, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand, and Uruguay. The Cairns Group has supported greater openness in agricultural trade.

Developing Countries. These countries, with relatively low levels of national income, are interested in liberalizing world trade in order to gain access to the developed countries' markets for their agricultural products.

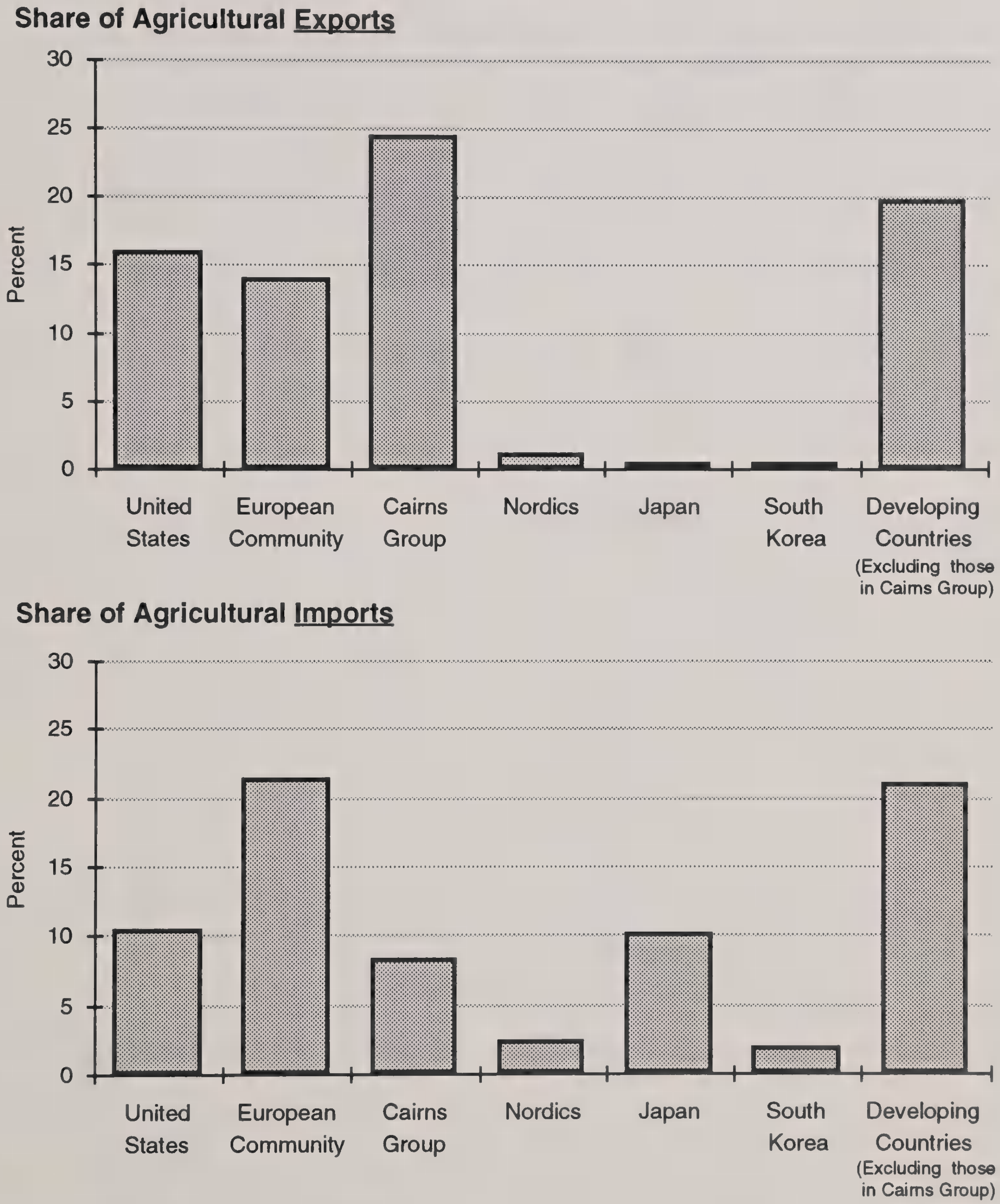
South Korea. Korea has shielded domestic producers from foreign competition and has resisted agricultural trade liberalization.

Nordics. The Nordic group is made up of Norway, Sweden, Iceland, and Finland. These countries, like the EC and Japan, are developed countries that have maintained high protection of their domestic agricultural producers.

Net Food-Importing Developing Countries. Egypt, Mexico, Jamaica, Morocco, and Peru have raised concerns that reductions in surplus production and export subsidies could raise the cost of importing food. They have argued for maintaining food aid programs and for providing adjustment assistance to deal with higher world commodity prices.

WORLD AGRICULTURAL TRADE SHARES BY KEY PLAYERS IN URUGUAY ROUND*

(Average by value of 1986-88)



*FAO data. Includes liquor and cigarettes.

History of GATT and Milestones in the Uruguay Round

Since its inception in 1948, countries have used the GATT to initiate rounds of negotiations to deal with the major problems of international trade. The Uruguay Round is the most ambitious round of GATT negotiations yet.

Since its inception in 1948, the GATT has sponsored eight rounds of multilateral trade negotiations. The early rounds addressed the key trade policy issues of their time, namely the reduction of tariffs on industrial goods and the establishment of clear rules for governmental regulation of world trade. Significant progress was made in both of these areas, but the rules provided special provisions for agriculture that limited the effectiveness of GATT disciplines.

In the 1960s, attempts were made to bring agriculture and other sectors beyond manufacturing under GATT discipline, as well as to address the emergence of non-tariff barriers to trade.

The 1960-62 **Dillon Round** was concluded without significant progress in agriculture, except that the United States gained duty-free bindings on soybeans, linseed, flaxseed, oilseed meal, and cotton into the EC -- commitments from the EC which have been of tremendous importance to U.S. agriculture.

In 1963-67, the **Kennedy Round** attempted to liberalize trade in agriculture, and the differences between the two big players were clear: The United States wanted to bring agriculture under the rules applicable to industrial products, and the EC wanted to exclude it. The Round resulted in the creation of the International Wheat Council and some small tariff concessions on agricultural products.

In 1973-79, the **Tokyo Round** again tackled agriculture, and again the United States and the EC were on opposite sides with the United States wanting agriculture included under the same disciplines as the industrial sector and the EC wanting it separate. While no pact was reached on agriculture, the Tokyo Round achieved several codes, e.g., on subsidies, import licensing, and technical standards applicable to agricultural trade.

In 1986, the **Uruguay Round** began in the face of more and more serious problems with agricultural trade. Subsidy-induced overproduction by some countries led to an increased use of export subsidies which were displacing efficient producers from their traditional export markets. At the same time, non-tariff barriers were increasingly being used to distort trade. Various other sectors of the world economy also needed international discipline, including services, patents (and other intellectual property rights), and textiles. Negotiators recognized that comprehensive trade reform was needed, with agriculture at the forefront.

MILESTONES IN URUGUAY ROUND AGRICULTURAL NEGOTIATIONS

September 1986, Punta del Este Declaration. Trade ministers agree to launch a new round of GATT talks in Punta del Este, Uruguay, committing GATT members to achieve "greater liberalization of trade in agriculture" and to improve the market orientation of agricultural trade.

July 1987, U.S. Indicative Proposal. The United States submits a proposal calling for the elimination of all trade-distorting subsidies, tariffs, and non-tariff barriers in agriculture.

December 1988, Midterm Review. Trade ministers agree to negotiate "substantial progressive reductions" in agricultural support and protection as well as principles for disciplining sanitary and phytosanitary restrictions.

October 1989, U.S. Proposal. The United States is the first country to submit a comprehensive and detailed proposal to eliminate trade-distorting subsidies and market access barriers through specific commitments in the three areas of internal support, market access, and export subsidies. The United States also proposes a separate set of rules and disciplines for sanitary and phytosanitary measures.

June 1990, De Zeeuw Text. The Chairman of the Agricultural Negotiating Group, Aart de Zeeuw, submits a text to bring the negotiations to a conclusion. The text establishes separate disciplines for all four areas of the negotiations.

October 1990, U.S. Proposal. The United States submits a proposal based on the de Zeeuw text. The Cairns Group submits a similar proposal. The U.S. proposal preserves the framework of the 1989 proposal and calls for reduction of 90 percent in export subsidies and 75 percent each in internal support and market access barriers, over a 10- year period. In November, 1990, the EC submits a proposal that contradicts the de Zeeuw text. It calls for a global reduction of around 30 percent instead of specific commitments for each area.

December 1990, Brussels Ministerial. What was scheduled to be the conclusion of the Round deadlocks over disputes in agriculture. The EC, Japan, and South Korea do not accept a framework for negotiating specific commitments, and the EC only agrees in principle to reduce export subsidies. The negotiations collapse and the Round is suspended.

February 1991, Dunkel Statement. The Director-General of the GATT, Arthur Dunkel, takes over the chairmanship of the Agriculture Negotiating Group. He announces that the deadlock in the negotiations is broken and that all participants agree to make "specific binding commitments" in the three areas of internal support, market access, and export subsidies. Discussions resume on technical issues concerning reduction commitments.

June 1991, Fast Track Authority Extended. Congress allows for extension of the Fast Track authority through June 1993.

December 1991, Draft Final Act. Director-General Dunkel submits a Draft Final Act that covers all of the negotiating groups, including agriculture. The agriculture text is Dunkel's attempt to strike a compromise between the different countries. The sanitary and phytosanitary provisions, however, are a negotiated section.

January 1992, Trade Negotiations Committee. Trade Negotiations Committee meets to assess the Draft Final Act. No country rejects the text, but certain countries express their disapproval of specific sections. GATT members agree to accept the Director-General's work plan as the basis for concluding the Round.

November 1992, Blair House Agreement. After negotiations are halted by the EC's demand to weaken the agriculture provisions of the Draft Final Act, the United States and the EC reach a compromise agreement on export subsidy and internal support commitments, providing a new impetus for the negotiations.

July 1993, Fast Track Renewal. Congress votes to renew the fast track authority and establishes a December 15, 1993 deadline for a Uruguay Round agreement.

December 1993, Uruguay Round Agreement. The 117 countries in the Uruguay Round negotiations reach agreement.

Terminology of GATT and the Uruguay Round

AGGREGATE MEASUREMENT OF SUPPORT (AMS). Internal support for agriculture will be measured by the gap between domestic and world prices multiplied by the quantity supported, plus other commodity-specific transfers. Internal support reduction commitments will be stipulated in terms of a Total AMS covering all trade-distorting internal support for agriculture.

AMS-EXEMPT DIRECT PAYMENTS. Direct payments under production-limiting programs which are not subject to reduction commitments. Payments for crops must be based on fixed area and yields or be made on less than 85% of the base level of production. Payments for livestock must be made on a fixed number of head.

APPROPRIATE LEVEL OF HEALTH PROTECTION. The level of risk a country determines can be accepted when setting standards to protect health.

BASE PERIOD. The Uruguay Round provisions call for a 1986-88 base period for internal support and market access, and a 1986-90 base period for export subsidies.

BINDING. A maximum tariff level established by a country for a particular product. The "bound" tariff cannot be increased above this level without compensating other countries.

BLAIR HOUSE AGREEMENT. November 1992 agreement between the United States and the EC on export subsidy and internal support commitments as well as bilateral agricultural trade issues.

CEILING BINDING. Developing countries can establish a tariff ceiling, which must be bound (see "binding" above), if the existing tariff was not bound. This ceiling binding can be higher than the existing applied rate.

COUNTRY SCHEDULE. Each participant in the agricultural negotiations is required to submit a country schedule detailing reduction commitments as required by the Uruguay Round provisions.

CURRENT ACCESS. Countries maintain import access opportunities equivalent to access in the base period for products subject to tariffication.

DISPUTE SETTLEMENT BODY. General council of the WTO, composed of representatives of all members, administering the adjudication of any disputes arising under the various WTO agreements.

DUNKEL TEXT. An informal name given to the negotiating framework (Draft Final Act) submitted December 20, 1991, by then GATT Director-General Arthur Dunkel.

EQUIVALENCY. The recognition that different measures or methods can be used to attain the same level of health protection.

FAST TRACK AUTHORITY. A special legislative procedure in Congress that limits the time of debate and confines the Congress to a yes/no vote on the results of trade negotiations.

FINAL ACT. The text of the Uruguay Round's final agreement covering all areas of the negotiations and agreed to by the 117 countries participating in the negotiations.

FOOD SECURITY. Argument used by certain countries (e.g., Japan, South Korea, Switzerland) to defend self-sufficiency as a means to a secured food supply.

HARMONIZATION. The establishment, recognition, and application of internationally recognized sanitary and phytosanitary measures by different GATT members.

MID-TERM AGREEMENT. The agreement that came out of the Uruguay Round Mid-term Review in April 1989. For agriculture, it mandated "substantial, progressive reductions in support and protection . . . [to] correct and prevent restrictions and distortions [to trade]."

MINIMUM ACCESS. Countries provide minimum level of import access opportunities for products subject to tariffication. Access will be ensured by tariff-rate quotas.

MOST-FAVORED-NATION TREATMENT (MFN). One of the basic principles of the GATT (Article II). GATT members agree that they will grant equal treatment on trade to all members, i.e., they will treat all members as well as they treat their most-favored trading partner. Customs unions, such as the EC, and free trade agreements, such as NAFTA, are negotiated under a special exemption to the MFN principle (GATT Article XXIV).

NON-TARIFF BARRIER (NTB). A border measure other than a tariff that impedes trade.

NON-TRADE CONCERNS. Term used by countries to argue for maintaining support and protection in order to meet social, environmental, aesthetic, and other non-economic goals of agricultural policy (often used by countries to defend self-sufficiency for food security, rural settlement, etc.).

NON-VIOLATION. GATT terminology for dispute where it is alleged that the actions or measures of one member are nullifying or impairing the benefits of the agreement accruing to another member, even though there is no violation of the rules.

PEACE CLAUSE. Informal name for Article 13 in the Final Act on agriculture which exempts certain policies from some GATT challenges as long as certain conditions, such as reduction commitments, are being met.

PERMITTED POLICIES (GREEN BOX). Internal support policies that are minimally trade-distorting and therefore excluded from reduction commitments. Some examples are: inspection and grading, environmental and conservation programs, bona fide disaster relief, crop insurance, domestic food aid, and direct payments not linked to production. In the Final Act the "Green Box" is found in Annex 2 of the agriculture agreement.

PRICE GAP. The difference between external and internal prices of a given commodity in the base year. Price gaps are used to calculate tariff equivalents and the AMS.

RISK ASSESSMENT DETERMINATION. Measure that quantifies the specific level of risk posed by pests, disease, food additives, or contaminants in food.

SAFEGUARD. A mechanism available during the implementation period for temporarily applying higher tariff rates. Safeguards will be triggered by sudden import surges or sharp declines in world prices.

SANITARY AND PHYTOSANITARY (SPS) MEASURES. Any laws, requirements, or procedures applied to protect human, animal, or plant life or health from risks arising from the spread of pests or diseases or from additives or contaminants in foods, beverages, or feedstuffs.

SERIOUS PREJUDICE. When export or domestic subsidies of one country significantly impair another country's market opportunities (a violation of Article XVI.1 of the GATT rules for subsidies or Articles 5 or 6 of the GATT Tokyo Round Subsidies Code).

SPECIAL AND DIFFERENTIAL TREATMENT (S&D). Allowance for developing countries to have lesser reduction commitments than developed countries.

TARIFFICATION. The conversion of non-tariff import barriers (e.g., quotas, restrictive licensing, variable levies) into tariff equivalents.

TARIFF EQUIVALENT. A tariff rate that provides, on average, the same level of protection as a given non-tariff barrier. Tariff equivalents are derived by calculating a price gap.

TARIFF-RATE QUOTA. A two-tiered tariff. Imports up to a certain quantitative limit (quota) face one duty, and imports in excess of that level face a second, higher duty.

WORLD TRADE ORGANIZATION (WTO). The international organization developed as part of the Uruguay Round to integrate the existing GATT agreement with the provisions agreed to in the Uruguay Round.

GATT/Uruguay Round
U.S. Department of Agriculture
Foreign Agricultural Service

Fact Sheet

AGRICULTURAL OVERVIEW

- On December 15, 1993, the United States concluded the seven-year Uruguay Round negotiations within the General Agreement on Tariffs and Trade (GATT). This historic agreement will result in significant improvements for U.S. agricultural trade.

- While the American agricultural industry has naturally focused on immediate improvements in market access as a result of the Uruguay Round, it is important to recognize the longer-term benefits of this agreement:

    - The economic growth generated by all of the different Uruguay Round agreements (including the non-agricultural areas) will increase income globally, resulting in increased demand for U.S. agricultural exports;

    - Agriculture will be more fully under the disciplines of the GATT. This will provide a significantly improved process for dealing with agricultural trade problems;

    - Non-tariff trade barriers will be replaced with tariffs, which will make import protection less arbitrary and help simplify future negotiations to liberalize agricultural markets;

    - Binding all of the world's agricultural tariff rates will prohibit countries from exceeding their bound tariff rates without providing compensation;

    - Trade-distorting internal support and export subsidies will be capped and reduced; countries will not be able to increase such subsidies beyond the levels specified in the agreement;

    - For the first time the GATT will have rules developed specifically to allow the challenge of the unjustified use of health-related barriers to imports;

    - The Uruguay Round agreement will result in a stronger and institutionally more efficient organization, the World Trade Organization (WTO), facilitating trade relationships among countries; and

    - Conditions for accession to the WTO by countries such as China, Russia and Taiwan will reflect the stronger disciplines developed in the Uruguay Round.

Specific disciplines agreed to in the Uruguay Round will cover the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures.

MARKET ACCESS

- Reduction of import barriers will improve exporter access to overseas markets. All countries will replace non-tariff measures with ordinary tariffs (tariffication). All agricultural tariffs will be bound and reduced.

- The replacement of non-tariff measures with tariffs will include two complementary disciplines: countries will open up minimum access opportunities where there has been little or no trade, and countries will ensure that current access opportunities are maintained.

- Each tariff, including those established under tariffication, will be subject to a minimum reduction (15% for developed countries, 10% for developing countries). Moreover, each country must make an overall average reduction (36% for developed countries, 24% for developing countries).

EXPORT SUBSIDIES

- As a result of the Uruguay Round, cuts in export subsidies, most significantly by the European Union, will reduce the level of unfair competition in world markets. Export subsidies will be reduced by 21% in terms of quantity and by 36% in terms of budgetary outlays by the end of the 6-year implementation period.

- Because only a small portion of U.S. agricultural exports is subsidized, this multilateral cut in subsidization of exports will greatly benefit the United States. By reducing the quantity of exports that can be subsidized on world markets, the agreement will create trade opportunities for U.S. producers who are more efficient than producers elsewhere.

- In addition, the Uruguay Round establishes a strong framework for further reduction of export subsidies in future negotiations.

- Products that did not receive export subsidies in the 1986-90 period will not be eligible for export subsidies in the future.

INTERNAL SUPPORT

- All countries must establish ceilings for the amount of support afforded producers through internal support mechanisms. Average support provided to measures linked to production is totaled across all commodities for the 1986-88 period. Policies that are deemed to be non-trade distorting are not included in the total measure of support and are not subject to reduction.

- Developed countries must reduce this total level of support in equal annual installments by 20% by the year 2000. Developing countries must reduce the total level of support by 13% by the year 2004.

- Due to changes in support programs in recent farm and budget legislation, the United States need not make reductions in internal support.

SANITARY & PHYTOSANITARY MEASURES

- The Sanitary and Phytosanitary (SPS) Agreement will impose GATT disciplines on the use of health-related measures which restrict imports, and it will encourage the use of international standards.

- Under the new system, any trade-restrictive measures taken by an importing country for the purpose of protecting human, animal or plant health must be based on science, including the use of risk assessment techniques.

- A measure stricter than an international standard may be used in a country, but only if the country has a scientific justification for taking the measure. Transparency in the development and implementation of SPS measures will now be required.

February, 1994

Fact Sheet

VEGETABLES & NON-CITRUS FRUITS

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. non-citrus fruit and vegetable industry, whose 1992 exports totaled $6.0 billion, include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *EU CUTS EXPORT SUBSIDIES:* The European Union will reduce its quantity and budgetary outlay for export subsidies from current levels. In the year 2000, the EU's maximum allowable quantity of subsidized fresh fruit and vegetables will be 906,900 tons and processed fruit and vegetables will be 158,600 tons. Additionally, the EU will reduce the allowable quantity of subsidized wine exports by 1,106,000 hectoliters from the 1991-92 average.

- *EU REDUCES TARIFFS:* Tariff cuts by the European Union include a 75% cut from the EU's current duty on fresh foliage, a 50% cut for shelled almonds, in-shell walnuts, and apples from January through March, and a 36% cut for fresh asparagus, shelled walnuts, fresh grapes, apples from August through December, roasted almonds, roasted pistachios, and potato chips. The EU had previously proposed only 20% cuts for these products.

- *JAPAN REDUCES TARIFFS:* Japan will reduce the duty on canned peaches from 14.4% to 8%, fruit cocktail from 11.2% to 6%, and frozen peaches will be reduced to 7%. Prune juice will be reduced from 22.5% to 14.4%. The duty for frozen sweet corn will be reduced from 12.5% to 7.5%. Likewise, canned sweet corn will be reduced from 12% to 10%. Japan's wine duty will be reduced from the lesser of 21.3% or 156.8 yen/liter to the lesser of 15% or 125 yen/liter. The minimum customs duty for these wines has also been reduced from 93 yen/liter to 67 yen/liter.

- *KOREA IMPROVES ACCESS FOR GRAPES, APPLES AND FRUIT JUICE:* Korea will lift its import ban on fresh apples, grape juice, and fruit drinks in 1995 and fresh grapes and apple juice in 1996.

- *KOREA REDUCES TARIFFS:* Korea will reduce tariffs on the following products by 40% from the 1993 applied rates (final rates in parentheses): almonds (21%); walnuts (30%); raisins (21%), fresh cherries and prunes (24%); frozen french fries (18%); and canned sweet corn (15%). Korea will remove the ban on fresh potatoes and potato flour, meal, pellets and flakes, and will reduce the in-quota rate on flour, meal, pellets and flakes from the current applied rate of 9% to a final rate of 5.4%.

- *THE PHILIPPINES REDUCES TARIFFS:* The Philippines will lower the tariffs on fresh grapes, pears, cherries, prunes, garlic, fresh potatoes, canned peaches and canned fruit mixtures from the current applied rate of 50% to 35%. It will also reduce the tariff for raisins, apples and canned sweet corn from 50% to 45% and reduce the tariff on onions from 50% to 15%.

- *MALAYSIA REDUCES TARIFFS:* Malaysia will reduce the tariff on almonds, walnuts, hazelnuts, chestnuts and pistachios from just over 5% to zero. It will cut in half the tariffs on grapes, raisins, apples and pears from 20% to 10%.

- *THAILAND REDUCES TARIFFS:* Thailand will cut in half the tariffs on walnuts, grapes, raisins, roasted almonds, tomato juice, french fries, canned sweet corn, pears, kiwifruit, frozen peaches, fruit juice mixtures and vegetable juice mixtures.

- *SWITZERLAND REDUCES TARIFFS:* Switzerland will eliminate its tariffs for fresh cranberries, raisins, prunes, and dried pears. It will also shorten its protected period for green asparagus by 1½ months and eliminate the tariff for the unprotected period. Switzerland will eliminate import duties over six years on processed sweet corn. For various other vegetables, Switzerland will expand its seasonal import period by 1½ months and increase access commitments by 14,000 tons.

- *NORWAY REDUCES TARIFFS FOR APPLES AND PEARS:* Norway will convert its import regime to tariffs for apples and pears, lower its off-season and in-quota duties by between 70% to 95%, and establish tariff-rate quotas which will increase access to the Norwegian market in the peak seasons.

- *AUSTRIA REDUCES TARIFFS FOR NUTS AND FOLIAGE:* Austria will reduce duties on shelled almonds and walnuts and on fresh foliage by between 50% and 59%.

- *URUGUAY REDUCES TARIFF FOR PRUNES:* Uruguay will cut its tariff for prunes from 15% to 12%.

U.S. COMMITMENTS:

- *MARKET ACCESS:* The United States will reduce tariffs covering imports of fruits and vegetables. The reductions, which must be at least 15%, will be implemented in equal annual installments over a 6-year period beginning in 1995.

- *EXPORT SUBSIDIES:* The United States will establish a ceiling for the quantity of subsidized exports and budgetary outlays for export subsidies of canned fruit based on the 1991-92 levels of 2,094 tons and $227,939, respectively. These subsidies will be phased to zero by the year 2000.

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

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BEEF

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. beef industry, whose 1992 exports totaled $2 billion and accounted for 6% of total domestic production, include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *EU CUTS EXPORT SUBSIDIES:* The European Union will reduce the quantity and budgetary outlay for export subsidies from the current level. In the year 2000, the EU's maximum allowable quantity of subsidized beef exports will be 817,000 tons, 507,000 tons less than the 1991-92 level.

- *JAPAN LOWERS BEEF TARIFF:* Japan will reduce its beef tariff from 50% to 38.5%, subject to a special safeguard provision.

- *KOREA EXPANDS ACCESS FOR BEEF:* Korea will gradually expand its minimum import quota for beef from the current 106,000-ton quota to 225,000 tons by the year 2000, while at the same time expanding the proportion of the quota imported through the simultaneous buy/sell system and reducing the mark-up. In January 2001, Korea will remove all non-tariff barriers to beef imports, including state trading. The tariff will be set at 44% in 1995, and reduced to 40% by the year 2004. Korea will also fully liberalize beef jerky at a 30% tariff and beef offal at a 20% tariff by July 1, 1997.

- *PHILIPPINES REDUCES TARIFF FOR BEEF:* The Philippines will reduce its beef tariff from 60% to 35% by the end of the implementation period in 2004.

- *THAILAND REDUCES DUTIES FOR BEEF:* Thailand will reduce its beef tariff from 60% to 50% during the ten-year implementation period. Thailand is also giving up the authority under current law to administratively apply a 50% surcharge if imports increase.

- *EU ELIMINATES DUTY FOR BEEF LIVERS:* The EU will eliminate its 7% duty for fresh, chilled, and frozen beef livers.

- *EFTA COUNTRIES IMPROVE ACCESS:* Norway will increase access for beef by 1,084 tons by the year 2000. In addition, Norway will increase access for other meat and products by 206 tons by the year 2000. Finland will increase access for meat and meat products by 12,585 tons by the year 2000. Austria will provide access for an additional 2,628 tons of beef, of which 500 tons will be a minimum purchase commitment for high-quality beef (HQB). Switzerland is providing an additional 400-ton HQB quota.

U.S. Commitments:

- *Market Access:* The United States will replace the Meat Import Law with a tariff equivalent of 31.1%. This tariff will be reduced by the minimally required 15%, in equal annual installments over 6 years, resulting in a final tariff of 26.4%. The United States will open a tariff-rate quota for beef of 656,621 tons. In addition, the United States is committed to expand this tariff-rate quota by an additional 20,000 tons each for Argentina and for Uruguay if they meet U.S. sanitary requirements for uncooked beef.

- *Export Subsidies:* The United States will establish a ceiling for the quantity of subsidized exports and budgetary outlays for export subsidies of beef. In the year 2000, the annual allowable quantity of subsidized exports will be 17,589 tons, the required 21% reduction from the 1986-90 level. The annual allowable budgetary outlay for subsidized exports will be $22,822,000, the required 36% reduction from the 1986-90 level.

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

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CITRUS

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. citrus industry, whose 1992 exports totaled $921 million, include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *EU CUTS EXPORT SUBSIDIES:* The European Union will reduce its quantity and budgetary outlay for export subsidies from current levels. In the year 2000, the EU's maximum annual allowable quantity of subsidized fresh fruit and vegetables, including citrus, will be 906,900 tons and processed fruit and vegetables will be 158,600 tons.

- *EU CUTS TARIFF FOR ORANGE JUICE:* The European Union will reduce the tariff for single-strength orange juice from 19% to 12.1%.

- *JAPAN LOWERS TARIFFS FOR ORANGES AND GRAPEFRUIT:* Japan will reduce the in-season tariff on oranges from 40% to 32% and the out-of-season tariff from 20% to 16%. By the year 2000, Japan will also eliminate the seasonal distinction and lower the year-round duty on fresh grapefruit to 10%.

- *KOREA IMPROVES ACCESS FOR ORANGES AND FRUIT JUICE:* Korea will establish a quota for oranges of 15,000 tons in 1995, 20,000 tons in 1996, and 25,000 tons in 1997. The quota will be expanded thereafter by 12.5% annually. The in-quota duty will be 50%. On July 1, 1997, Korea will establish an out-of-quota tariff for oranges at 89%, which will be reduced to no greater than 50% by the year 2004. Korea will completely liberalize fruit drinks in 1995 and orange juice in July, 1997 with interim quotas for orange juice of 50,000 tons in 1995, 55,000 tons in 1996 and 30,000 tons for the first six months of 1997.

- *KOREA REDUCES TARIFFS FOR CITRUS:* Korea will reduce tariffs on lemons, limes, grapefruit and grapefruit juice by 40% from the applied tariff rate, resulting in a 30% final tariff rate for these products.

- *SWISS ELIMINATE GRAPEFRUIT JUICE TARIFF:* Switzerland will eliminate its tariff for frozen concentrated grapefruit juice by the year 2000.

- *THAILAND CUTS TARIFFS FOR ORANGES AND GRAPEFRUIT:* Thailand will reduce its tariff for sweet oranges and grapefruit by 50%.

U.S. COMMITMENTS:

- *MARKET ACCESS:* The United States will make the following tariff reductions for citrus products, implemented in equal annual installments over a 6-year period beginning in 1995:

  - *15% tariff reduction:*
    oranges, mandarins, grapefruit, other citrus fruits, orange juice, grapefruit juice, and concentrated lemon juice

  - *20% tariff reduction:*
    lemons and limes

  - *36% tariff reduction:*
    lime juice and unconcentrated lemon juice

  - *55% tariff reduction:*
    essential oils of orange, lemon and grapefruit

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

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COTTON

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. cotton industry, whose 1992 exports totaled $2.2 billion and accounted for 37% of total domestic production, include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *MALAYSIA BINDS COTTON TARIFF AT ZERO:* Malaysia currently has no duties on cotton and will permanently bind (as a formal GATT commitment) its tariff at zero.

- *THAILAND REDUCES COTTON TARIFF:* Thailand will reduce its tariff on cotton from 5% to 4.5%.

- *HONG KONG BINDS TARIFF AT ZERO:* Hong Kong will bind (as a formal GATT commitment) its tariff for cotton at zero, the currently applied rate.

- *KOREA BINDS TARIFF AT 2%:* Korea will reduce its tariff binding to 2%, the currently applied rate, from its GATT-bound level of 10%.

U.S. COMMITMENTS:

- *MARKET ACCESS:* The United States will replace its Section 22 quota with tariff equivalents equal to 36.9 cents/kg for cotton and 9.2 cents/kg for cotton waste. These tariffs will be reduced by the minimum required 15% in equal annual installments over 6 years beginning in 1995, to 31.4 cents/kg and 7.8 cents/kg, respectively. The United States will establish a tariff-rate quota for cotton of 51,927 tons, growing to 86,545 tons at the end of 6 years. The in-quota tariff will be the same as for the current quotas, which generally have been unfilled.

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

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DAIRY

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. dairy industry, whose 1992 exports totaled $762 million, include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *EU CUTS EXPORT SUBSIDIES:* The European Union will reduce the quantity and budgetary outlay for export subsidies from the current level. In the year 2000:

  - The maximum allowable quantity of subsidized butter will be 366,000 tons, a 97,000-ton reduction from the 1986-90 period.

  - The maximum allowable quantity of subsidized skim milk powder will be 243,000 tons, a 65,000-ton reduction from the 1986-90 period.

  - The maximum allowable quantity of subsidized cheese will be 305,000 tons, a 122,000-ton reduction from the 1991-92 average.

  - The maximum allowable quantity of subsidized "other dairy products" will be 939,000 tons, a 267,000-ton reduction from the 1991-92 average.

- *EU INCREASES MARKET ACCESS OPPORTUNITIES FOR CHEESE:* The EU will reduce the in-quota duty for a 15,000-ton tariff-rate quota for cheddar cheese from the initially proposed level of 830 ECU/ton to 210 ECU/ton and establish a 5,000-ton mozzarella cheese quota with a 130 ECU/ton in-quota rate.

- *JAPAN INCREASES MARKET ACCESS OPPORTUNITIES:* Japan will establish a 3,000-ton quota for whey powder which will grow to 4,500 tons at the end of six years, and a 2,200-ton quota for ice cream mix powder which will grow to 3,700 tons at the end of six years. Japan will reduce the tariff on frozen pizza cheese by 36%, the tariffs on ice cream, grated cheese, and frozen yogurt by 25%, and the in-quota tariff on ice cream mix powder by 25%.

- *KOREA INCREASES MARKET ACCESS OPPORTUNITIES:* Korea will establish a 23,000-ton quota for whey in 1995 that will increase by 10% annually over ten years, with an in-quota tariff of 20% and an over-quota tariff of 99% that will be reduced to 49.5% over 10 years. Korea will also fully liberalize imports of processed cheese, other cheese (including mozzarella), infant formula and other dairy food preparations (including ice cream mix powder) in 1995, at a tariff of 40% which will be reduced to 36%.

- *MALAYSIA REDUCES TARIFFS FOR CHEESE AND YOGURT:* Malaysia will reduce its tariff on flavored frozen yogurt from 35% to 10% during the ten-year implementation period. It will reduce its tariffs on cheese from 20% to 10%.

- *THAILAND REDUCES CHEESE AND WHEY TARIFFS:* Thailand will cut its tariffs on cheese in half during the ten-year implementation period. Thailand is also reducing tariffs on two whey categories to 24% and 30%.

- *SOUTH AFRICA INCREASES ACCESS:* South Africa will establish substantial minimum access tariff-rate quotas, with bound low duties for dairy products, including for dried whey, buttermilk, and yogurt.

- *SWEDEN OPENS ACCESS FOR PIZZA CHEESE:* Sweden will open a 300-ton tariff-rate quota for pizza cheese with a 10% in-quota duty.

- *EFTA COUNTRIES OPEN ACCESS FOR BUTTER:* Norway, Finland, and Austria will establish tariff-rate quotas for 4,337 tons of butter by the year 2000, increasing access by 4,285 tons from the average of 1986-88 imports.

- *COSTA RICA INCREASES ACCESS FOR DAIRY PRODUCTS:* Costa Rica will establish tariff-rate quotas for a variety of milk products, butter oil, and cheese totalling 671 tons.

U.S. COMMITMENTS:

- *MARKET ACCESS:* The United States is replacing Section 22 import quotas for dairy products with tariff equivalents, which will be reduced by the minimum required 15% in equal annual installments over 6 years beginning in 1995. The tariffs for major traded products will be:

  - non-fat dry milk — Base tariff of 101.8 cents/kg reduced to 86.5 cents/kg
  - butter — Base tariff of 181.3 cents/kg reduced to 154.1 cents/kg
  - cheese — Base tariff of 144.3 cents/kg reduced to 122.7 cents/kg

  The import quota for cheese of 110,999 tons will be converted to a tariff-rate quota and increased by 30,992 tons to 141,991 tons by the year 2000. The new access will be allocated by country.

  The United States is establishing tariff-rate quotas for other dairy products that will account for 13,700 tons of milk fat and 16,100 tons of non-fat solids in the first year of the agreement, growing to 22,785 tons and 26,825 tons respectively by the year 2000. The quota will be allocated to existing Section 22 categories in the following manner:

	Quota Quantity in 1995	Quota Quantity in 2000
Fresh/frozen cream	8,218,913.0 liters	10,636,240.0 liters
Evaporated/condensed milk	3,000.0 tons	7,000.0 tons
Dried lowfat milk	1,500.0 tons	5,500.0 tons
Dried whole milk	500.0 tons	3,000.0 tons
Dried cream	100.0 tons	100.0 tons
Dried whey/buttermilk	300.0 tons	300.0 tons
Butter	4,000.0 tons	7,000.0 tons
Butter oil/substitute	3,500.0 tons	6,100.0 tons
Dairy mixtures	2,100.0 tons	4,300.0 tons
Chocolate crumb	16,000.0 tons	26,700.0 tons
Lowfat chocolate crumb	2,122.8 tons	2,122.8 tons
Milk replacer feed	7,400.0 tons	7,400.0 tons
Ice cream	3,576,112.0 liters	5,960,186.0 liters

- *EXPORT SUBSIDIES:* The United States will establish a ceiling for the quantity of subsidized exports and budgetary outlays for dairy products. The final year commitments are the required 21% and 36% below the 1986-90 base for the quantitative and budgetary commitments, respectively. Some of the reductions will begin from 1991-92 average levels. The annual allowable quantities and expenditures will be the following:

BUTTER/BUTTER OIL	1995	1996	1997	1998	1999	2000
Quantity (tons)	42,989	38,611	34,232	29,854	25,475	21,097
Budget ($1,000)	44,793	41,934	39,075	36,215	33,356	30,497

NON-FAT DRY MILK	1995	1996	1997	1998	1999	2000
Quantity (tons)	108,227	100,222	92,217	84,212	76,207	68,201
Budget ($1,000)	121,119	113,388	105,657	97,926	90,195	82,464

CHEESE	1995	1996	1997	1998	1999	2000
Quantity (tons)	3,829	3,669	3,510	3,350	3,190	3,030
Budget ($1,000)	5,340	4,999	4,658	4,317	3,976	3,636

OTHER DAIRY	1995	1996	1997	1998	1999	2000
Quantity (tons)	12,456	9,971	7,487	5,003	2,518	34
Budget ($1,000)	14,374	11,503	8,633	5,762	2,892	21

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

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FEED GRAINS

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. feed grains industry, whose 1992 exports totaled $5.8 billion, include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *EU EXPORT SUBSIDIES CUT:* The European Union will reduce the quantity and budgetary outlay for export subsidies from the current level. In the year 2000 the EU's maximum annual allowable quantity of subsidized coarse grain exports will be 9,973,000 tons, a 2,651,000-ton reduction from 1986-90 level.

- *EU MAINTAINS TERMS OF PREVIOUS CORN AND SORGHUM ACCESS AGREEMENTS:* The European Union will maintain the Enlargement Agreement in the form of a minimum purchase requirement for 2 million tons of corn and 300,000 tons of sorghum, with adjustments for imports of corn gluten feed and other non-grain feed ingredients. The EU will also maintain the terms of the Portuguese corn quota, requiring the purchase of 500,000 tons.

- *EU MAINTAINS ACCESS OPPORTUNITIES:* The European Union will preserve the current import access opportunities for corn, barley and rye by maintaining the relationship between the duty-paid import price and the support price for these products. This will ensure that there will not be the higher protection that the EU had originally proposed.

- *JAPAN INCREASES ACCESS FOR INDUSTRIAL USE CORN AND BARLEY:* Japan will increase its current 3,750,000-ton zero-duty quota for industrial-use corn by 450,000 tons by the year 2000, with the increased amounts to be imported under the "new-use" category. 330,000 tons of this increase, or 60% of the total new-use quota, will be free from the blending requirement. Japan will also increase its current 1,318,000-ton import quota for barley by 8,500 tons each year of the implementation period, for a final tariff-rate quota of 1,369,000 tons in the year 2000.

- *VARIOUS COUNTRIES ESTABLISH OR EXPAND MINIMUM ACCESS OPPORTUNITIES:* Commitments to provide minimum access for coarse grains will be implemented by a number of countries, including Sweden, Finland, South Africa, Korea, and the Philippines. This could result, by the year 2000, in approximately 500,000 tons of new market access annually above that in the 1986-88 base period.

- *KOREA REDUCES TARIFF ON FEED CORN:* Korea will reduce the in-quota tariff on feed corn from an applied rate of 3% to a final rate of 1.8% over 10 years.

- *SOUTH AFRICA IMPROVES ACCESS FOR CORN GLUTEN FEED:* South Africa will bind a low duty for a substantial tariff-rate quota for corn gluten feed, essentially liberalizing the market for this product.

U.S. COMMITMENTS:

- *MARKET ACCESS:* The United States will reduce its tariffs for feed grains by between 55% and 75%, in equal annual installments beginning in 1995.

    - Yellow corn: Base duty of 0.2 cents/kg reduced to 0.05 cents/kg
    - Barley: Base duty of 0.34 cents/kg reduced to 0.15 cents/kg
    - Feed wheat: Base duty of 0.77 cents/kg reduced to 0.35 cents/kg
    - Grain sorghum: Base duty of 0.88 cents/kg reduced to 0.22 cents/kg
    - Millet: Base duty of 0.7 cents/kg reduced to 0.32 cents/kg
    - Oats: Currently no tariff
    - Canary seed: Base duty of 0.26 cents/kg reduced to 0.12 cents/kg

- *EXPORT SUBSIDIES:* The United States will establish a ceiling for the quantity of subsidized exports and budgetary outlays for export subsidies of coarse grains (including barley malt). The final year commitments are the required 21% and 36% below the 1986-90 base for the quantitative and budgetary commitments, respectively. The annual allowable quantities and expenditures will be the following:

	1995	1996	1997	1998	1999	2000
Quantity (1,000 tons)	1,906	1,837	1,768	1,699	1,630	1,561
Budget ($1,000)	67,735	63,412	59,088	54,765	50,441	46,118

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

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OILSEEDS

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. oilseed and products industry, whose 1992 exports totaled $8.3 billion, include the following:

Key Developments for U.S. Exports:

- *JAPAN IMPROVES ACCESS:* Japan will reduce its tariff on soybean and rapeseed oil by 36% and the duties on sunflower, safflower, corn and cottonseed oil by 50%.

- *KOREA REDUCES TARIFFS FOR OILSEEDS:* Korea will reduce its tariff on soybean and cottonseed oil from 9% to 5.4%, an 82% reduction from the bound rate of 30%, and will reduce its tariff for sunflower oil from 30% to 18%. Korea also will cut the tariff on soybean meal from 3% to 1.8%, representing a 91% cut from the bound rate of 20%.

- *THE PHILIPPINES LOWERS TARIFFS FOR SOYBEANS AND SOYBEAN MEAL:* The Philippines will cut in half its tariff on soybean meal, reducing it from 10% to 5%. The Philippines will also reduce its tariff on soybeans from 10% to 9%

- *MALAYSIA BINDS SOYBEAN DUTY AT ZERO:* Malaysia currently has no duties on soybeans and will permanently bind (as a formal GATT commitment) its tariff at zero.

- *THAILAND REDUCES TARIFFS ON PROTEIN CONCENTRATES:* Thailand will cut in half the tariffs on protein concentrates (HS code 2106.10) from 60% to 30% during the 10-year implementation period.

- *COSTA RICA ESTABLISHES LOW TARIFFS FOR OILSEEDS:* Costa Rica will bind (as a formal GATT commitment) tariffs for all oilseeds, including soybeans, at 1%.

U.S. Commitments:

- *MARKET ACCESS:* The United States will make the following tariff reductions in equal annual installments over 6 years, beginning in 1995:

  Oilseeds:
  - Currently no tariff: soybeans, sunflower seed, castor beans, sesame seeds, mustard seeds, safflower seeds, and other oilseeds
  - 55% tariff reduction: flaxseed
  - 36% tariff reduction: rapeseed and cotton seeds

Oilseed Meal

- 55% tariff reduction: linseed, palm, peanut and unspecified meals
- 36% tariff reduction: soybean, sunflower and rapeseed meals
- 20% tariff reduction: cottonseed meal

Vegetable Oil

- Tariff eliminated: castor oil
- 55% tariff reduction: sesame oil
- 36% tariff reduction: linseed oil,
- 15% tariff reduction: soybean oil, sunflower seed oil, safflower oil, cottonseed oil, peanut oil, rapeseed oil, mustard seed oil, and corn oil.

□ *EXPORT SUBSIDIES:* The United States will establish a ceiling for the quantity of subsidized exports and budgetary outlays for export subsidies of vegetable oil. The final year commitments are the required 21% and 36% below the 1986-90 base for the quantitative and budgetary commitments, respectively. The annual allowable quantities and expenditures will be the following:

	1995	1996	1997	1998	1999	2000
Quantity (tons)	587,538	498,290	409,043	319,795	230,547	141,299
Budget ($1,000)	52,960	45,184	37,409	29,634	21,858	14,083

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

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PEANUTS

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. peanut industry, whose 1992 exports totaled $240 million, include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *SWITZERLAND ELIMINATES DUTY FOR PEANUTS:* Switzerland will eliminate the duty on peanuts for human consumption over six years.

- *KOREA REDUCES TARIFF ON PEANUTS:* Korea will reduce the in-quota tariff on shelled peanuts from 40% to 24%.

- *THAILAND REDUCES TARIFF ON PEANUTS:* Thailand will cut the tariff on edible peanuts in half.

U.S. COMMITMENTS:

- *MARKET ACCESS:* Under the tariffication discipline the United States is replacing Section 22 import quotas for peanuts with a specific tariff equivalent of 80 cents/kg or 126% ad valorem for shelled peanuts and 52.8 cents/kg or 192.7% ad valorem for in-shell peanuts. These tariffs will be reduced by the minimum required 15% in equal annual installments over 6 years beginning in 1995, to 68 cents/kg (107.1% ad valorem) and 44.9 cents/kg (163.8% ad valorem) respectively.

- The United States will establish a tariff-rate quota for peanuts of 33,770 tons in 1995, growing to 56,283 tons at the end of the 6 years. The quota year will be changed to begin in April of each year instead of August. This will provide for a consistent supply throughout the year and encourage price stability.

- The United States will also establish a tariff-rate quota for peanut butter based on 1993 import levels.

- The over-quota ad valorem rate of 126% for peanut butter will be reduced by the required minimum 15% to 107.1% in equal annual installments over 6 years beginning in 1995.

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

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PORK

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. pork industry, whose 1992 exports totaled $451 million and accounted for 2% of total domestic production, include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *EU CUTS EXPORT SUBSIDIES:* The European Union will reduce the quantity and budgetary outlay for export subsidies from the base period level. In the year 2000, the EU's maximum allowable quantity of subsidized pork exports will be 389,000 tons, 103,000 tons below the average quantity of subsidized exports in 1986-90.

- *JAPAN REDUCES GATE PRICE FOR PORK:* Japan will reduce its gate price to 524 yen/kg., a 29% reduction from the average 1986-88 gate price.

- *KOREA ESTABLISHES ACCESS FOR FROZEN PORK:* Korea will establish a quota for frozen pork of 21,930 tons in 1995, 29,240 tons in 1996, and 18,275 tons for the first half of 1997. Korea will remove all barriers to frozen pork imports except for a tariff on July 1, 1997. This tariff will be set at 33.4% in 1997 and will be reduced in equal annual installments to 25% by the year 2004. The 25% tariff on fresh and chilled pork, which was liberalized on January 1, 1994, will be reduced to 22.5%.

- *EU ESTABLISHES TARIFF-RATE QUOTA:* The European Union will establish tariff-rate quotas totaling 75,000 tons, including a 39,000-ton allocation to tenderloins, boneless loins, and boneless hams.

- *EU ELIMINATES DUTY FOR SWINE LIVERS:* The EU will eliminate its 7% duty for fresh, chilled, and frozen swine livers by the year 2000.

- *PHILIPPINES INCREASES ACCESS FOR PORK:* The Philippines will open a tariff-rate quota of 32,000 tons, increasing to 54,000 tons by the end of the implementation period in the year 2004. The in-quota tariff will be 30%.

- *THAILAND REDUCES DUTY FOR PORK AND PRODUCTS:* Thailand will cut its tariffs on frozen carcasses, most pork cuts, and sausages and similar products from 60% to 30% during the ten-year implementation period. Thailand will reduce its tariffs on fresh and chilled carcasses, and frozen hams and shoulder cuts from 60% to 40%.

- *EFTA COUNTRIES IMPROVE ACCESS FOR PORK:* Norway will increase access for pork by 1,381 tons by the year 2000. Finland will increase access for meat and meat products by 12,585 tons by the year 2000. Austria is providing access for 6,963 tons of pork, of which 1,000 tons will be a minimum purchase commitment for boneless pork.

U.S. Commitments:

- *Market Access:* The United States will reduce its tariff for pork from 2.2 cents/kg to 1.4 cents/kg, a 36% cut, in equal annual installments over 6 years beginning in 1995.

- *Export Subsidies:* The United States will establish a ceiling for the quantity of subsidized exports and budgetary outlays for export subsidies of pork. In the year 2000, the annual allowable quantity of subsidized exports will be 395 tons, the required 21% reduction from the 1986-90 level. The annual allowable budgetary outlay for subsidized exports will be $497,000, the required 36% reduction from the 1986-1990 level.

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

February 1994

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Fact Sheet

POULTRY

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. poultry and egg industry, whose 1992 poultry and egg exports totaled $928 million and $100 million, respectively, include the following:

Key Developments for U.S. Exports:

- *EU Cuts Export Subsidies:* The European Union will reduce the quantity and budgetary outlay for export subsidies from the current level. In the year 2000 the EU's maximum allowable quantity of subsidized poultry exports will be 291,000 tons, 179,000 tons below the quantity of subsidized exports in the 1991-92 period. For eggs, the maximum allowable quantity of subsidized exports in the year 2000 will be 83,300 tons, 28,700 tons below the level in the 1991-92 period.

- *EU Cuts tariff on Processed Turkey:* The EU will reduce its tariff for processed turkey from 17% to 8.5%.

- *EU Increases Access for Poultry:* The EU will establish a tariff-rate quota for 18,000 tons in the year 1995, increasing to 29,000 tons in the year 2000.

- *Korea Improves Market Access for Frozen Chicken:* Korea will establish a quota for 7,700 tons of frozen chicken in 1995, 10,400 tons in 1996, and 6,500 tons for the first half of 1997. On July 1, 1997, Korea will remove all barriers to frozen chicken imports except for a tariff of 30.5%, which will be reduced to 20% by the year 2004. The 20% tariff on fresh and chilled chicken cuts (liberalized on January 1, 1994) and fresh and chilled whole chickens will be reduced to 18%.

- *Philippines Improves Access for Poultry:* The Philippines will open a tariff-rate quota for chicken of 14,000 tons, increasing to 23,500 tons by the year 2004; the in-quota tariff will be 50%. The Philippines will also cut the tariff on frozen turkey from 50% to 35%.

- *Austria Increases Access for Poultry:* Austria will establish a tariff-rate quota for a minimum purchase commitment for 1,000 tons of chicken parts.

- *Costa Rica Improves Access for Poultry:* Costa Rica will provide greater minimum access for poultry, growing from 3% of domestic consumption to 5% of domestic consumption over the implementation period.

- *Hong Kong Binds Tariffs at Zero:* Hong Kong will bind (as a formal GATT commitment) all tariffs for poultry and egg products at zero.

- *JAPAN REDUCES TARIFFS FOR EGG YOLKS:* Japan will reduce the duty on dried egg yolks from 25% to 18.8%. The tariff for frozen egg yolks will be reduced from 25% to 20%.

- *FINLAND ALLOWS ACCESS FOR EGGS:* Finland will establish a tariff-rate quota for eggs and egg products of 1,719 tons in 1995, increasing to 2,865 tons by the year 2000.

- *NORWAY INCREASES ACCESS FOR EGGS:* Norway will establish a tariff-rate quota for eggs and egg products of approximately 1,200 tons in 1995, increasing to about 2,000 tons in the year 2000.

U.S. COMMITMENTS:

- *MARKET ACCESS:* The United States will reduce its tariffs for poultry and eggs by 20% in equal annual installments over 6 years beginning in 1995.

- *EXPORT SUBSIDIES:* The United States will establish a ceiling for the quantity of subsidized exports and budgetary outlays for export subsidies of poultry and eggs. The final year commitments are the required 21% and 36% below the 1986-90 base for the quantitative and budgetary commitments, respectively. The reductions for eggs will begin from the 1991-92 average levels. The annual allowable quantities and expenditures will be the following:

POULTRY	1995	1996	1997	1998	1999	2000
Quantity (tons)	34,196	32,955	31,715	30,475	29,235	27,994
Budget ($1,000)	21,377	20,013	18,648	17,284	15,919	14,555

EGGS	1995	1996	1997	1998	1999	2000
Quantity (1,000 dozen)	30,262	25,593	20,925	16,256	11,588	6,920
Budget ($1,000)	7,588	6,391	5,195	3,998	2,801	1,604

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

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PROCESSED PRODUCTS

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. processed food industry include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *JAPAN REDUCES TARIFFS:* Japan will reduce the duty on canned peaches from 14.4% to 8%, fruit cocktail from 11.2% to 6%, and frozen peaches will be reduced from 10% to 7%. Prune juice will be reduced from 22.5% to 14.4%. The duty for canned sweet corn will be reduced from 12% to 10%. Japan's wine duty will be reduced from the lesser of 21.3% or 156.8 yen/liter to the lesser of 15% or 125 yen/liter. The minimum duty for these wines has also been reduced from 93 yen/liter to 67 yen/liter.

- *JAPAN CUTS TARIFFS ON SUGAR-CONTAINING PRODUCTS:* Japan will reduce its tariff on candies, caramels and other sugar confectionery from 35% to 25%.

- *KOREA INCREASES ACCESS FOR FRUIT JUICE:* Korea will completely liberalize beverage of fruit juice in 1995 and orange juice in July, 1997 with interim quotas for orange juice of 50,000 tons in 1995, 55,000 tons in 1996 and 30,000 tons for the first six months of 1997. Korea will reduce tariffs on grapefruit juice from the 50% applied tariff rate to 30%. Korea will completely liberalize grape juice and beverage of fruit juice in 1995 and apple juice in 1996.

- *KOREA REMOVES BAN ON DAIRY PREPARATIONS:* Korea will remove its ban on certain dairy preparations, including ice cream mix powder and preparations for infant use, on January 1, 1995.

- *KOREA REDUCES TARIFFS ON POTATO PRODUCTS AND CANNED SWEET CORN:* Korea will reduce its tariff on frozen french fries by 40% from the 1993 applied rate, cutting to a new duty of 18%. Korea will remove its ban on potato flour, meal, pellets and flakes, and reduce the in-quota rate on flour, meal, pellets and flakes from the current applied rate of 9% to a final rate of 5.4%. Korea will also reduce the 1993 applied rate for canned sweet corn by 40%, for a rate of 15%.

- *KOREA REDUCES OTHER TARIFFS:* Korea will reduce its tariffs for pork sausages including hot dogs, breakfast cereals, frozen french fries, frozen sweet corn and soup and broth by 40% from the 1993 applied tariffs by the year 2004.

- *EU CUTS EXPORT SUBSIDIES FOR ALCOHOL:* The European Union will reduce the quantity and budgetary outlay for alcohol export subsidies from the current level. In the year 2000, the EU's maximum allowable quantity of subsidized alcohol exports will be 1,147,400 hectoliters, 305,000 hectoliters less than the 1986-90 level.

- *EU CUTS EXPORT SUBSIDIES FOR WINE:* The European Union will reduce the allowable quantity of subsidized wine exports by 1,106,000 hectoliters from the 1991-92 average.

- *EU CUTS EXPORT SUBSIDIES FOR OTHER PROCESSED PRODUCTS:* The European Union will reduce its budgetary outlays on the subsidized export of processed products by over 206 million ECU from the 1986-90 average.

- *EU REDUCES TARIFF ON PROCESSED TURKEY:* The EU will reduce its tariff for processed turkey from 17% to 8.5%.

- *EU REDUCES OTHER TARIFFS:* The European Union will make a 36% tariff cut for potato chips, roasted almonds, and single-strength orange juice.

- *THAILAND REDUCES TARIFFS ON PROTEIN CONCENTRATES:* Thailand will cut the tariffs on protein concentrates (HS code 2106.10) from 60% to 30% during the ten-year implementation period.

- *THAILAND REDUCES DUTY FOR SAUSAGES:* Thailand will cut in half the tariffs on sausages and similar products, reducing the tariffs by one-third during the ten-year implementation period.

- *THAILAND CUTS TARIFFS ON SUGAR-CONTAINING PRODUCTS:* Thailand will reduce its tariff for chocolate and products and sugar confectionery by one-third.

- *THAILAND REDUCES OTHER TARIFFS:* Thailand will cut its tariffs in half on roasted almonds, tomato juice, french fries, canned sweet corn, frozen peaches, fruit juice mixtures and vegetable juice mixtures.

- *PHILIPPINES CUTS TARIFFS ON SUGAR-CONTAINING PRODUCTS:* The Philippines will reduce its tariff for sweetened cocoa powder from 50% to 35%, and its tariff for sugar confectionery from 50% to 45%.

- *PHILIPPINES REDUCES OTHER TARIFFS:* The Philippines will lower its tariffs on canned peaches and canned fruit mixtures from the current applied rate of 50% to 35%. It will also reduce the tariff for canned sweet corn from 50% to 45%.

- *SWISS ELIMINATE GRAPEFRUIT JUICE TARIFF:* Switzerland will eliminate its tariff for frozen concentrated grapefruit juice by the year 2000.

- *HUNGARY REDUCES TARIFFS FOR SUGAR CONFECTIONERY:* Hungary will reduce its tariffs to rates below currently applied rates for a number of sugar confectionery products.

- *HONG KONG BINDS TARIFFS AT ZERO:* Hong Kong will bind (as a formal GATT commitment) its tariffs for all processed products at zero, the currently applied rate.

U.S. Commitments:

- **Tariff Reductions:**

▪ Processed meats	• 36% cut on pork and poultry, 55-75% cuts on beef and 100% cut on canned corned beef.
▪ Confectionery	• 15-20% cuts with a 50% cut on the in-quota rate for cocoa preparations in HS 1806.90.
▪ Cereal preparations	• 15% for items where Section 22 quotas apply (HS 1901), 36% for most other headings except 55% for breakfast cereals and baked goods.
▪ Processed fruits	• Wide range of cuts with most sensitive items and vegetables cut by 15% and some cuts as deep as 75% or 100%. Average for the sector is around 36%.
▪ Miscellaneous	• HS Chapter 21 products cut by 15% where Section 22 quotas apply, most other items cut 36% with 55% cuts for soups and homogenized preparations.
▪ Beverages	• 15% cuts for milk drinks, bulk wine, undenatured ethyl alcohol, 100% reductions for beer & distilled spirits, 36-55% cuts for other items.

- **Section 22 items:**

All Section 22 quotas will be converted to tariff-rate quotas with 15% reductions in the over-quota rates and no reduction in the within-quota rates (except for cocoa preparations as noted above). Quotas for dairy products will be expanded immediately with growth over the six-year transition period according to the schedule below. Sugar-containing product quotas will not be increased. However, the definitions of these quotas will be tightened to restore their original product coverage.

	Quota Quantity in 1995	Quota Quantity in 2000
Fresh/frozen cream	8,218,913.0 liters	10,636,240.0 liters
Evaporated/condensed milk	3,000.0 tons	7,000.0 tons
Dried lowfat milk	1,500.0 tons	5,500.0 tons
Dried whole milk	500.0 tons	3,000.0 tons
Dried cream	100.0 tons	100.0 tons
Dried whey/buttermilk	300.0 tons	300.0 tons
Butter	4,000.0 tons	7,000.0 tons
Butter oil/substitute	3,500.0 tons	6,100.0 tons
Dairy mixtures	2,100.0 tons	4,300.0 tons
Chocolate crumb	16,000.0 tons	26,700.0 tons
Lowfat chocolate crumb	2,122.8 tons	2,122.8 tons
Milk replacer feed	7,400.0 tons	7,400.0 tons
Ice cream	3,576,112.0 liters	5,960,186.0 liters

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

February 1994

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RICE

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. rice industry, whose 1992 exports totaled $757 million and accounted for 44% of total domestic production, include the following:

Key Developments for U.S. Exports:

- *Japan Lifts Rice Import Ban:* Japan will establish an import quota for 379,000 tons of rice in the year 1995, which will increase to 758,000 tons in the year 2000.

- *Korea Lifts Rice Import Ban:* Korea will establish a quota for over 50,000 tons in 1995. Korea will double the quota by the year 1999 and double it again by the year 2004.

- *Malaysia Binds Duty for Rice at Zero.* Malaysia currently has no duty on rice and will permanently bind (as a formal GATT commitment) this duty at zero.

- *EU Expands Access Opportunity:* The European Union will cut its rice tariff (established under tariffication) by 36%, a significant cut from the levies applied during the 1986-88 base period and applied currently. In the event that it reduces support prices for rice, the EU has also committed to maintain the relationship between the duty-paid import price and the support price. This will ensure that there will not be the higher protection that the EU had originally proposed.

- *Asian Countries Discipline Domestic Support Measures:* Major rice-producing countries in Asia will not be able to expand trade-distorting domestic support provided for agriculture.

U.S. Commitments:

- *Market Access:* The United States will reduce its tariffs for rice by 36% in 6 equal annual installments beginning in 1995.

▪ Rice in husk:	Base duty of 2.8 cents/kg reduced to 1.8 cents/kg
▪ Basmati rice, husked	Base duty of 1.3 cents/kg reduced to 0.83 cents/kg
▪ Husked (brown) rice	Base duty of 3.3 cents/kg reduced to 2.1 cents/kg
▪ Rice, parboiled	Base duty 17.5% reduced to 11.2%
▪ Rice, milled/semi-milled	Base duty of 2.2 cents/kg reduced to 1.4 cents/kg
▪ Broken rice	Base duty of 0.69 cents/kg reduced to 0.44 cents/kg

- *EXPORT SUBSIDIES:* The United States will establish a ceiling for the quantity of subsidized exports and budgetary outlays for export subsidies of rice. The final year commitments are the required 21% and 36% below the 1986-90 base for the quantitative and budgetary commitments, respectively. The annual allowable quantities and expenditures will be the following:

	1995	1996	1997	1998	1999	2000
Quantity (1,000 tons)	272	225	178	132	85	39
Budget ($1,000)	15,706	13,038	10,371	7,704	5,036	2,369

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

February 1994

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SUGAR

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. sugar industry (U.S. sugar confectionery exports totaled $391 million in 1992), include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *EU CUTS EXPORT SUBSIDIES:* The European Union will reduce the quantity and budgetary outlay for export subsidies from the base period level. In the year 2000, the EU's maximum annual allowable quantity of subsidized sugar exports will be 1,277,000 tons, 340,000 tons below the average quantity of subsidized exports in 1986-90.

- *SOUTH AFRICA CUTS EXPORT SUBSIDIES:* South Africa will reduce its quantity of subsidized exports of sugar by 200,000 tons by the end of the implementation period.

- *JAPAN REDUCES TARIFFS ON SUGAR-CONTAINING PRODUCTS:* Japan will reduce its tariff on candies, caramels and other sugar confectionery from 35% to 25%.

- *PHILIPPINES REDUCES TARIFFS ON SUGAR-CONTAINING PRODUCTS:* The Philippines will reduce its tariff for sweetened cocoa powder from 50% to 35%, and the tariff for sugar confectionery from 50% to 45%.

- *THAILAND REDUCES TARIFFS ON SUGAR-CONTAINING PRODUCTS:* Thailand will reduce its tariff for chocolate and products, and sugar confectionery by a third.

U.S. COMMITMENTS:

- *SUGAR:* The United States is replacing the current tariff-rate quota for sugar with a tariff equivalent equal to 17 cents/lb, raw value, which will be reduced the minimum required 15% to 14.45 cents/lb by the year 2000. The Section 22 fee of 1 cent/lb for refined sugar and syrups will also be reduced by the minimum required 15% over 6 years. The U.S. is establishing a tariff-rate quota of 1,139,195 tons for sugar effective in the first year of the agreement.

- *SUGAR-CONTAINING PRODUCTS:* For sugar-containing products the United States is replacing the current Section 22 quotas with tariff-rate quotas at their current levels. The over-quota tariff rates for these products are based on the tariff equivalent for refined sugar, and will be reduced by the minimum required 15% in equal annual installments over 6 years. Modifications to the definitions of these quotas will be made to maintain the product coverage intended when they were first introduced.

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

February 1994

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TOBACCO

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. tobacco industry, whose 1992 exports of raw tobacco totaled $1.5 billion and traditionally accounts for 40% of total domestic production, include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *EU CUTS EXPORT SUBSIDIES:* The European Union will reduce the quantity and budgetary outlay for export subsidies from the current level. In the year 2000, the EU's maximum annual allowable quantity of subsidized tobacco will be 112,600 tons, 93,400 tons less than the quantity of subsidized exports in 1991-92.

- *EU REDUCES TARIFFS:* The European Union will reduce its tariffs by 50% for cigars, 36% for cigarettes and other manufactured tobacco, and 20% for unmanufactured tobacco.

- *PHILIPPINES CUTS TARIFFS:* The Philippines has agreed to reduce the tariff on Virginia and other tobacco, cigars and cigarettes from 50% to 45%.

- *JAPAN MAINTAINS ZERO DUTY TREATMENT FOR CIGARETTES:* Japan will continue to apply a zero duty on cigarettes consistent with the current agreement between the United States and Japan.

- *JAPAN REDUCES DUTY ON CIGARS:* Japan will reduce the duty on cigars from 20% to 16%.

- *HONG KONG BINDS TARIFFS AT ZERO:* Hong Kong will bind (as a formal GATT commitment) its tariffs at zero, the currently applied rate, for tobacco and products.

- *NEW ZEALAND REDUCES TARIFF FOR CIGARETTES:* New Zealand will reduce its tariff for cigarettes to 8.5%, a cut from the bound rate of 24% and the applied rate of 12.5%.

U.S. COMMITMENTS:

- *MARKET ACCESS:* The United States will eliminate its tariffs on cigar wrapper and reduce by 55% its tariffs on cigar filler and binder tobacco, cigars, most cigarettes and homogenized tobacco. Tariffs on tobacco stems and refuse will be reduced by 20%, and tariffs on other unmanufactured tobacco and on smoking tobacco will be reduced by the minimum required 15%.

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

February 1994

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U.S. Department of Agriculture
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VEGETABLES & NON-CITRUS FRUITS

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. non-citrus fruit and vegetable industry, whose 1992 exports totaled $6.0 billion, include the following:

KEY DEVELOPMENTS FOR U.S. EXPORTS:

- *EU CUTS EXPORT SUBSIDIES:* The European Union will reduce its quantity and budgetary outlay for export subsidies from current levels. In the year 2000, the EU's maximum allowable quantity of subsidized fresh fruit and vegetables will be 906,900 tons and processed fruit and vegetables will be 158,600 tons. Additionally, the EU will reduce the allowable quantity of subsidized wine exports by 1,106,000 hectoliters from the 1991-92 average.

- *EU REDUCES TARIFFS:* Tariff cuts by the European Union include a 75% cut from the EU's current duty on fresh foliage, a 50% cut for shelled almonds, in-shell walnuts, and apples from January through March, and a 36% cut for fresh asparagus, shelled walnuts, fresh grapes, apples from August through December, roasted almonds, roasted pistachios, and potato chips. The EU had previously proposed only 20% cuts for these products.

- *JAPAN REDUCES TARIFFS:* Japan will reduce the duty on canned peaches from 14.4% to 8%, fruit cocktail from 11.2% to 6%, and frozen peaches will be reduced to 7%. Prune juice will be reduced from 22.5% to 14.4%. The duty for frozen sweet corn will be reduced from 12.5% to 7.5%. Likewise, canned sweet corn will be reduced from 12% to 10%. Japan's wine duty will be reduced from the lesser of 21.3% or 156.8 yen/liter to the lesser of 15% or 125 yen/liter. The minimum customs duty for these wines has also been reduced from 93 yen/liter to 67 yen/liter.

- *KOREA IMPROVES ACCESS FOR GRAPES, APPLES AND FRUIT JUICE:* Korea will lift its import ban on fresh apples, grape juice, and fruit drinks in 1995 and fresh grapes and apple juice in 1996.

- *KOREA REDUCES TARIFFS:* Korea will reduce tariffs on the following products by 40% from the 1993 applied rates (final rates in parentheses): almonds (21%); walnuts (30%); raisins (21%), fresh cherries and prunes (24%); frozen french fries (18%); and canned sweet corn (15%). Korea will remove the ban on fresh potatoes and potato flour, meal, pellets and flakes, and will reduce the in-quota rate on flour, meal, pellets and flakes from the current applied rate of 9% to a final rate of 5.4%.

- *The Philippines Reduces Tariffs:* The Philippines will lower the tariffs on fresh grapes, pears, cherries, prunes, garlic, fresh potatoes, canned peaches and canned fruit mixtures from the current applied rate of 50% to 35%. It will also reduce the tariff for raisins, apples and canned sweet corn from 50% to 45% and reduce the tariff on onions from 50% to 15%.

- *Malaysia Reduces Tariffs:* Malaysia will reduce the tariff on almonds, walnuts, hazelnuts, chestnuts and pistachios from just over 5% to zero. It will cut in half the tariffs on grapes, raisins, apples and pears from 20% to 10%.

- *Thailand Reduces Tariffs:* Thailand will cut in half the tariffs on walnuts, grapes, raisins, roasted almonds, tomato juice, french fries, canned sweet corn, pears, kiwifruit, frozen peaches, fruit juice mixtures and vegetable juice mixtures.

- *Switzerland Reduces Tariffs:* Switzerland will eliminate its tariffs for fresh cranberries, raisins, prunes, and dried pears. It will also shorten its protected period for green asparagus by 1½ months and eliminate the tariff for the unprotected period. Switzerland will eliminate import duties over six years on processed sweet corn. For various other vegetables, Switzerland will expand its seasonal import period by 1½ months and increase access commitments by 14,000 tons.

- *Norway Reduces Tariffs for Apples and Pears:* Norway will convert its import regime to tariffs for apples and pears, lower its off-season and in-quota duties by between 70% to 95%, and establish tariff-rate quotas which will increase access to the Norwegian market in the peak seasons.

- *Austria Reduces Tariffs for Nuts and Foliage:* Austria will reduce duties on shelled almonds and walnuts and on fresh foliage by between 50% and 59%.

- *Uruguay Reduces Tariff for Prunes:* Uruguay will cut its tariff for prunes from 15% to 12%.

U.S. Commitments:

- *Market Access:* The United States will reduce tariffs covering imports of fruits and vegetables. The reductions, which must be at least 15%, will be implemented in equal annual installments over a 6-year period beginning in 1995.

- *Export Subsidies:* The United States will establish a ceiling for the quantity of subsidized exports and budgetary outlays for export subsidies of canned fruit based on the 1991-92 levels of 2,094 tons and $227,939, respectively. These subsidies will be phased to zero by the year 2000.

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

February 1994

GATT/Uruguay Round
U.S. Department of Agriculture
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WHEAT

The Uruguay Round agriculture agreement will establish disciplines in the areas of market access, export subsidies, internal support, and sanitary and phytosanitary measures. In addition, countries have agreed to a number of commitments that will benefit U.S. agricultural exports. Highlights of these commitments for the U.S. wheat industry, whose 1992 exports totaled $4.5 billion and accounted for 53% of total domestic production, include the following:

Key Developments for U.S. Exports:

- *EU Cuts Export Subsidies:* The European Union will reduce the quantity and budgetary outlay for export subsidies from the current level. In the year 2000, the EU's maximum allowable quantity of subsidized wheat and wheat flour exports will be 13,436,000 tons, 6,800,000 tons less than the quantity of subsidized exports in 1991-92.

- *EU Maintains Access Opportunities:* The European Union will preserve the current import access opportunity for wheat by maintaining the relationship between the duty-paid import price and the support price for wheat. This will ensure that there will not be the higher protection that the EU had originally proposed.

- *Japan Expands Current Access:* Japan will expand its current 5,530,000-ton import quota for wheat by 35,000 tons annually, for a final tariff-rate quota of 5,740,000 tons in the year 2000. Japan will also reduce its state-trading mark-up on wheat by 15% over the implementation period.

- *Korea Reduces Tariffs:* Korea will reduce the tariff on wheat, other than durum, from the current applied rate of 3% to a final rate of 1.8%. Korea will also reduce the tariff on wheat flour from the current applied rate of 7% to a final rate of 4.2%.

U.S. Commitments:

- *Market Access:* The United States will reduce its tariffs for wheat and wheat seed by 55%, and for durum wheat by the minimum required 15%, in equal annual installments over 6 years, beginning in 1995.

  - Durum wheat: Base duty of 0.77 cents/kg reduced to 0.65 cents/kg
  - Wheat seed and meslin: Base duty of 6.3% reduced to 2.8%
  - Other wheat and meslin: Base duty of 0.77 cents/kg reduced to 0.35 cents/kg

- *EXPORT SUBSIDIES:* The United States will establish a ceiling for the quantity of subsidized exports and budgetary outlays for export subsidies of wheat, durum, wheat flour and semolina. The final year commitments are the required 21% and 36% below the 1986-90 base for the quantitative and budgetary commitments, respectively. Reductions will begin from the 1991-92 average levels. The annual allowable quantities and expenditures will be the following:

	1995	1996	1997	1998	1999	2000
Quantity (1,000 tons)	20,238	19,095	17,952	16,809	15,665	14,522
Budget ($1,000)	765,499	685,162	604,825	524,488	444,152	363,815

(Note: This fact sheet does not necessarily reflect all results since final country commitments are not due until March 31, 1994.)

February 1994

United States
Department of
Agriculture

**Office of
Economics**

**Economic
Research
Service**

March 1994

Effects of the Uruguay Round Agreement on U.S. Agricultural Commodities

EFFECTS OF THE URUGUAY ROUND AGREEMENT ON U.S. AGRICULTURAL COMMODITIES

On December 15, 1993, the United States reached an historic agreement in concluding the Uruguay Round of Multilateral Trade Negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT). Benefits arising from the agreement include:

- *The Uruguay Round agreement on agriculture will lead to substantially improved access for U.S. agricultural exports.* Requiring countries to reduce levels of trade-distorting support, export subsides and import protection will reverse the increasing trend in protectionism that has shut our exports out of a number of growing markets. Increased agricultural exports mean higher prices for U.S. farmers and higher farm income.

- *U.S. farmers will gain from the increase in world income that will arise from the Uruguay Round agreement.* Studies suggest that the increase in world income could be as much as $5 trillion over ten years. The growth in world income will increase the demand for agricultural products, particularly for income-sensitive commodities like meat, fruits, vegetables and other specialty crops. Increased demand for beef, pork and poultry means that U.S. feed grain and soybean producers will gain as well.

- *U.S. agricultural exports are expected to increase by $1.6 to $4.7 billion in 2000 and by $4.7 to $8.7 billion in 2005.* Grains and animal products account for almost 75 percent of the increase.

- *Increased exports mean more export-related jobs, particularly for high-value and value-added products.* Agricultural export-related employment is expected to increase by as much as 112,000 jobs in 2000, and by as much as 190,000 jobs in 2005.

- *Increased exports will raise farm prices, increase farm income, and lower Government outlays on price and income support programs.* The Uruguay Round agreement is expected to raise farm income by as much as $1.3 billion in 2000 and by as much as $2.5 billion in 2005. Government outlays in 2000 could decline by almost $1.3 billion and in 2005 could be as much as $2.6 billion lower.

- *The Uruguay Round marks a beginning, not an end.* The Uruguay Round agreement in agriculture is the first step in moving world agriculture towards more liberalized markets. It commits GATT members to consider further liberalization. Consider the case of non-agricultural goods. Prior to 1947, the average tariff rate for non-agricultural goods exceeded 40 percent. After seven GATT rounds, the average tariff rate for these goods was just 5 percent. The Uruguay Round will reduce these tariffs further to 3.5 percent.

- Perhaps even more important for the future is the discipline the Uruguay Round will apply to countries who might otherwise choose the direction of closed markets, production-inducing internal supports, and subsidized exports. This agreement has important consequences for our large trading partners that are currently outside of the GATT: China, Taiwan, and the nations of the Former Soviet Union.

PROVISIONS OF THE AGREEMENT

The Uruguay Round (UR) Agreement is an historic effort to open world agricultural markets, prompting increased trade and dynamic growth. The agricultural agreement covers four areas, including export subsidies, market access, internal supports, and sanitary and phytosanitary rules. The agreement is implemented over a 6-year period, 1995-2000.

Export Subsidies

Subsidized exports must be reduced by 21 percent in volume and 36 percent in budget outlays over 6 years from the 1986-90 base period. Under the flexibility provisions, countries may phase-in the export subsidy reductions for any commodity in equal annual increments from 1991-92 levels over the 6 years. Products that did not receive export subsidies in the 1986-90 period will be ineligible for export subsidies in the future.

Market Access Provisions

Under the UR agreement, all non-tariff import barriers are to be converted to bound tariffs. (This conversion process is referred to as "tarifficiation".) These tariffs as well as other (pre-existing) tariffs will be reduced by a minimum 15 percent and on average 36 percent over the 6-year implementation period. In addition, for products subject to the tariffication process, countries agree to maintain current access opportunities and to establish quantitative commitments for new access opportunities if imports in the 1986-88 base period were low or non-existent.

Internal Supports

Under the UR, total internal support is reduced over 6 years by 20 percent from a 1986-88 base period. No changes would be required in U.S. policies to meet a cut in total internal support. Total support is measured by a total Aggregate Measure of Support (AMS) which is the sum of commodity-specific AMSs and sector-wide AMSs. Support measures agreed upon as non-trade distorting are exempt from reduction. These permitted policies include conservation measures, crop insurance and disaster assistance, extension programs, and income payments that are not based on current production levels. Permitted policies are

exempt from countervailing duty actions and other GATT challenges (e.g, nullification and impairment actions, serious prejudice actions).

The agreement exempts direct payments that meet certain criteria from the reduction in total support for the 6-year implementation period. These criteria generally require that payments are made on a fixed quantity and on less than base period production. U.S. deficiency payments would be exempt from reduction commitments.

Direct payments exempt from reduction and other internal supports subject to reduction would not be exempt from countervailing duty actions. However, they would be exempt from other GATT challenges provided support for a specific commodity did not increase from 1992 levels during the implementation period.

Sanitary and Phytosanitary Measures

The sanitary and phytosanitary agreement for the first time enables countries to use GATT rules to check the use of unjustified health-related regulations that restrict trade while assuring a country's right to protect food safety and animal and plant health. Under the agreement, sanitary and phytosanitary measures must be based on science. However, countries may maintain science-based standards that are stricter than international standards.

Special and Differential Treatment for Developing Countries

Developing countries are given special treatment under the UR. Developing countries are required smaller reduction commitments, equal to two-thirds of the corresponding commitment for developed countries, to be implemented over 10 years. Least-developed countries are exempt from reduction commitments.

EFFECTS OF THE URUGUAY ROUND ON U.S. AGRICULTURE

Analytical Approach

The analytical approach used to evaluate the effects of the Uruguay Round (UR) is similar to the approach used to evaluate the North American Free Trade Agreement (NAFTA), farm bills, or other policy analyses. Effects are estimated using economic models and analysts' judgement. The approach is based on commodity supply and demand analysis. For many commodities, cross commodity linkages on either the supply or demand side are crucial to understanding market responses. For example, the modelling of the responses of feed grain industries incorporates interactions with livestock, oilseed, and other field crop markets.

The economic effects are measured against the President's February 1994 budget baseline extended to 2005. For 2001-2005, it is assumed that internal supports, exports subsidies and tariffs are maintained at 2000 levels.

Baseline projections represent analysts' expectations about future prices, production, consumption, and trade under normal conditions for such factors as weather and energy supplies, and the continuation of current law. Baseline projections usually are smooth in the sense that key economic variables generally follow trend levels. This means that the baseline does not reflect precipitous changes in world prices and trade due to unexpected changes in factors such as yields or exchange rates. The baseline includes the effects of NAFTA.

The analysis focuses on the expected path for key economic variables. This does not mean that variations about these paths are unimportant, but rather that these aspects of markets are not the subject of this analysis.

Typically a range is given for each variable. The range reflects the probable range of outcomes under the UR due to a number of factors including differences in assumptions regarding world income growth under the UR and the responsiveness of world demand to income growth. Assumptions in world income growth under the UR are discussed in Appendix I.

The baseline incorporates policy trends, excluding the effects of a successful UR. If the Uruguay Round had failed, however, world agricultural trade would likely not follow the policy trends in the baseline but would likely become more protectionist, causing world markets and prices to deteriorate from baseline levels. Therefore, the estimates of the benefits from the UR may be understated for some commodities.

Aggregate Effects

Important summary measures of the effects of the Uruguay Round on American agriculture are exports, aggregate farm sector income, export-related employment and Government outlays. The Uruguay Round is projected to result in higher U.S. exports, more export-related jobs and higher aggregate farm sector income in 2000 compared to baseline levels. Net farm program outlays are projected to decline. Larger gains are expected to occur by the year 2005 as world income grows due to the Uruguay Round.

Effects on U.S. Agricultural Exports

A summary of the projected export effects are listed in Table 1. Added exports in grains and animal products account for almost 75 percent of the total export value expansion by 2005.

Table 1--Projected Increase in U.S. Agricultural Exports Under the Uruguay Round 1/ (million dollars)

Commodity	Change from baseline	
	FY 2000	FY 2005
Grains and feeds	490 - 1,940	1,950 - 3,910
Cotton	50 - 290	60 - 590
Animal Products	740 - 1,660	1,690 - 2,510
Horticultural products	180 - 280	200 - 370
Oilseeds and products	170 - 530	810 - 1,330
Total	1,630 - 4,700	4,710 - 8,710

1/ Valued at point of export.

Effects on Aggregate Farm Sector Income

Farm sector income gains are made up of several items. The projected increase in cash receipts is about $5 billion by 2000. However, lower government outlays on price and income support programs and higher production costs caused by expanded output and higher input prices such as feed mean that net cash income for the farm sector goes up by over $1 billion in 2000 and by as much as $2.5 billion by the year 2005.

Table 2--Projected Increase in U.S. Aggregate Farm Sector Income Under the Uruguay Round (billion dollars)

Item	Change from baseline	
	2000	2005
Gross farm sector income:	3.6 - 4.6	8.4 - 9.6
Cash receipts	4.0 - 5.4	9.8 - 11.6
Government payments	(0.3) - (0.7)	(1.7) - (2.5)
Other 1/	(0.1) - (0.1)	0.3 - 0.5
Total production expenses	2.5 - 3.3	6.5 - 7.1
Net farm sector income	1.1 - 1.3	1.9 - 2.5

( ) denotes negative number.

1/ Includes farm-related income and value of inventory changes.

Effects on Export-Related Employment

Increased exports due to the Uruguay Round Agreement are projected to create an additional 41,000 to 112,000 jobs in the year 2000 and 105,000 to 190,000 jobs in 2005.

Table 3--Projected Increase in Export-Related Employment Under the Uruguay Round (thousand jobs) 1/

Commodity	Change from baseline	
	2000	2005
Grains and feeds	9.1 - 35.7	32.8 - 66.1
Cotton	1.4 - 8.2	1.6 - 15.7
Animal products	23.5 - 54.2	54.3 - 81.0
Horticultural products	4.1 - 5.7	3.6 - 6.8
Oilseeds and products	3.1 - 8.5	12.3 - 20.1
Total	41.1 - 112.2	104.5 - 189.7

1/ Analytical method is described in Appendix II.

Effects on Farm Program Outlays

Increased exports will raise farm prices which will lower deficiency payment rates. However, the reduction in outlays due to lower deficiency payment rates will be offset somewhat by lower acreage reduction program requirements due to lower stocks-to-use ratios than under the baseline. Nonetheless, deficiency payment reductions could exceed $1 billion by 2000 and could be as high as $2.4 billion by 2005. Feed grains account for almost 60 percent of the reduction.

Total deficiency payment reductions over the 6-year implementation period are estimated between $1.7 billion and $4.1 billion. Reductions in deficiency payment outlays over the period 2001-2005 are projected to range between $7.3 to $9.6 billion.

Export subsidies will be reduced by 36 percent from 1986-90 levels. This will mean an annual decrease from baseline program levels of over $500 million by the end of the implementation period (2000) and beyond.

Commodity Credit Corporation (CCC) outlays for dairy will rise because increased imports and the reduction of dairy export subsidies will raise net removals.

Table 4--Projected Change in Farm Program Outlays Under the Uruguay Round (million dollars)

Item	Change from baseline	
	2000	2005
Deficiency payments	(435) - (1,040)	(1,735) - (2,410)
Export subsidies	(535)	(535)
CCC dairy outlays	275	300
Total	(695) - (1,300)	(1,970) - (2,645)

( ) denotes negative number.

Effects on Agricultural Tariff Revenues

The Uruguay Round agricultural agreement is expected to result in an annual estimated net loss in agricultural tariff revenue of $275 million by the year 2000. Tariff revenue losses will occur because of the average 36 percent reduction in tariffs required under the agreement. There will be some tariff gains for commodities, such as peanuts, where tariff rate quotas have been established with low in-quota tariffs.

The reductions in tariff revenue due to tariff cuts was calculated based on the change in tariff rates required under the agreement and the average level of trade for those commodities in 1990-92. Because it is expected that imports of many commodities will increase due to lower tariffs, the estimated tariff revenue reductions are likely overstated. For commodities where the percent increase in imports exceeds the percent drop in tariffs, tariff revenues will increase.

THE IMPACTS OF THE URUGUAY ROUND AGREEMENT ON AGRICULTURAL PRODUCTS

Effects of the Uruguay Round on Field Crops

U.S. field crop agriculture would benefit from the Uruguay Round (UR) agreement to increase market access and reduce export subsidies worldwide. Projected higher U.S. grain, oilseed, and cotton exports under the UR will raise domestic prices and stimulate increased production. By the year 2000, and especially thereafter, U.S. crop producers would earn greater total revenue with an increasing share of revenue coming from the marketplace. The U.S. acreage base for grains would be fully utilized by 2005 with acreage reduction programs (ARPs) set at 0 percent, setting the stage for further price and revenue increases as additional production is needed to meet rising world demand.

The full benefits of the UR to U.S. producers would not be realized immediately. Projected world grain trade levels fall initially as export prices rise from lower (subsidized) levels. In addition, the European Union's (EU) expected marketing of large beginning stocks of wheat could cut into U.S. export market share. As a result, U.S. wheat and feedgrain exports are expected to be near or slightly under baseline levels for the first 1-3 years. However, by 2000, projected U.S. wheat and feed grain exports are about 7.5 percent above baseline levels, cotton exports are up almost 8 percent, soybean exports are up 3 percent and rice exports are up about 13 percent.

Except for rice, which faces significant production constraints, projected prices are modestly above baseline levels by 2000. Rice prices are projected up 11 percent, while increases of 2-3 percent are projected for wheat, feed grains, cotton and soybeans. Acreage and production of major crops are projected higher compared to baseline levels. These expected gains are minor, ranging from virtually no change in corn planted acres to a 5-percent gain in rice acreage. By 2000, projected ARPs are equal to or less than baseline and range from 0 percent for rice to 12 percent for cotton. Only rice is expected to have a 0-percent ARP, unchanged from the baseline.

By 2000, initial adjustments, which may work to dampen grain exports, should have run their course. As income gains from the UR accumulate worldwide, world trade and U.S. exports are likely to expand more rapidly. By 2005, projected U.S. exports are 9-10 percent higher than baseline for wheat, feedgrains and cotton, 17 percent higher for rice, and 2 percent higher for soybeans. Projected larger exports of soybean meal raise total soybean exports (soybeans plus soybean-equivalents) nearly 4 percent above baseline.

Domestic market prices and production rise further under these projected export gains. By 2005, projected rice prices are almost 14 percent above baseline. Projected prices for soybeans, wheat and corn are 7-8 percent above baseline, and cotton is about 5 percent above baseline. The projected price increases and larger production boost producers' market and total revenue above baseline levels. Projected total revenue increases from farm production

range from over 3 percent for cotton to 10 percent for soybeans. These projected gains are entirely from the marketplace as Government deficiency payments are substantially less than baseline levels.

In addition to the impact of rising export demand, projected prices reflect U.S. production potential and the response of domestic consumers to higher prices. With respect to the latter, domestic use of wheat, rice and cotton is projected 1.5 to 2.5 percent less than baseline (cotton mill use declines as the U.S. textile trade deficit widens under liberalized textile trade), and corn use is essentially unchanged. Domestic use of soybeans is projected 3 percent above baseline, as more soybeans are crushed to meet increased soybean meal demand.

By 2005, projected ARPs are 0 percent for all commodities except cotton, and the cotton ARP is less than baseline. The U.S. acreage base for grains is fully employed to meet rising export demand under the Uruguay Round. This factor shows up in relatively weak acreage response to price changes. For example, projected corn and soybean acres combined are 2.5 percent above baseline, whereas projected prices are 7-8 percent higher. Full utilization of the acreage base sets the stage for further price increases as additional U.S. production to meet increases in export demand would have to come from productivity gains and/or bringing more land into production.

WHEAT

The Uruguay Round (UR) agreement will change world wheat markets fundamentally as subsidized exports, particularly from the European Union (EU), are reduced substantially. Removal of subsidies will increase prices, dramatically for some countries, and reduce world trade in the first years of the agreement. Increased global incomes will increase world import demand significantly after 2000. U.S. wheat production will increase and exports will increase 150-200 million bushels above baseline projections by 2005. The UR agreement will strongly reinforce current trends in the U.S. wheat sector toward reduced excess capacity and greater market orientation. U.S. prices will rise significantly, increasing market returns and farm incomes and decreasing deficiency payments.

Substantial trade opportunities result from the reduction of subsidized exports under the UR. EU exports fall substantially because subsidized exports will be reduced by over 8 million tons in 2000, one-third below baseline projections, and by almost 11 million tons in 2005. U.S. exports of wheat under the Export Enhancement Program (EEP) also will be reduced, 11.3 million tons below baseline projections in 2000 and 17.5 million in 2005. Remaining volumes of subsidized exports are expected to be concentrated in the key markets of North Africa, China, and the countries of the former Soviet Union. Limited additional trade opportunities result from a Japanese commitment to an increase in imports and some reduction in Korean tariffs. Reductions in internal support measures are not expected to significantly alter wheat imports or exports of any country.

Importers will pay a significantly increased price for those quantities of wheat for which the UR agreement requires withdrawal of subsidies. The EU wheat no longer eligible for subsidies will not be available on world markets unless world prices rise to EU internal price levels. Although short world crops could raise world prices enough to make EU wheat temporarily competitive, expected market prices and exchange rates are projected to allow the EU to export without subsidies only a small quantity of durum wheat. As importers turn to alternative suppliers for cheaper supplies and to replace EU exports, world wheat prices will rise, inducing increased supplies from Australia, Argentina, and other suppliers, including the United States. Higher prices in most markets will increase production and reduce consumption world-wide.

World trade will decline in the first years of the UR agreement. However, the reduction will be limited by price insulating policies in many countries and the relatively firm demand for basic foods. EU export reductions will more than offset the loss in world import demand, providing a significant opportunity for other exporters to expand exports and reclaim markets lost to EU subsidized exports during the 1980s. After 2000, increased general economic growth due to the Uruguay Round is expected to more than compensate for price increases and expand world trade beyond baseline projections. Increased demand from China, already one of the world's fastest growing economy, is certain to be a major factor in increased world trade and U.S. exports (even if China continues to remain outside of the GATT).

Wheat producers in Argentina, Australia, Canada, and East Europe will benefit significantly from the Uruguay Round agreement as well.

U.S. wheat exports are forecast to rise 100-150 million bushels in 2000 and 150-200 million bushels in 2005. U.S. production is expected to increase by almost as much. U.S. domestic use declines slightly, mostly due to reduced feeding as wheat becomes more costly relative to other feeds. Domestic food use is largely insensitive to price increases of the magnitude expected under the UR. U.S. planted acres increase by more than 5 percent after 2000 as ARPs are reduced to zero more rapidly than in the baseline and significantly greater percentages of Conservation Reserve Program (CRP) and 0-85 land are returned to cultivation. Yield increases between 2000 and 2005 will be tempered by the increase in cultivation of marginal lands.

The additional demand for U.S. exports will more than offset the price decreasing effect from reducing EEP export quantities and bonuses. Season average farm prices will increase 3-6 percent by 2000 and 8-12 percent by 2005. By 2005, U.S. and world prices are expected to rise enough to encourage foreign competitors, including the EU, even if they are not low cost producers. As U.S. farm prices move above $3.50 per bushel, more and more of the increase in world demand will be met by foreign suppliers. The United States will not be required to reduce support in the wheat sector.

Table 5--Wheat

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
World trade	mil. tons	111 - 114	(2) - 0	131 - 134	0 - 2
United States:					
Imports	mil. bu.	95 - 95	(14) - (14)	120 - 120	(11) - (11)
Planted acres	mil.	75.1 - 78.2	3 - 7	79.5 - 81.4	5 - 8
Production	bil. bu.	2.61 - 2.72	3 - 7	2.86 - 2.93	5 - 7
Exports	bil. bu.	1.48 - 1.52	7 - 11	1.75 - 1.80	9 - 12
Domestic use	bil. bu.	1.22 - 1.23	(3) - (3)	1.28 - 1.28	(1) - (1)
Farm price	$/bu.	3.03 - 3.12	3 - 6	3.50 - 3.65	8 - 12
Gross farm receipts	bil. $	7.91 - 8.47	5 - 13	10.0 - 10.7	13 - 20
Deficiency payments	bil. $	1.84 - 1.80	(5) - (7)	1.02 - 0.61	(26) - (56)

( ) denotes negative number.

COARSE GRAINS

Higher world incomes will significantly increase world import demand for coarse grains under the Uruguay Round (UR), with most of the impact occurring after 2000. Increased access commitments and reductions in subsidized exports also will provide trade opportunities. The United States will be the principal direct beneficiary. U.S. corn production increases, and exports rise 200-300 million bushels. In addition, increased U.S. exports of livestock products will increase domestic feed grain use. The UR agreement will strongly reinforce current trends in the U.S. corn sector toward reduced excess capacity and greater market orientation. U.S. corn prices will rise 6-9 percent over baseline projections by 2005, increasing market returns and farm incomes and decreasing deficiency payments.

Higher world incomes after 2000 provide the greatest contribution to increased world demand for livestock products and import demand for feed grains. Increased Chinese feed demand is expected to be very important, transforming that country from a major exporter to a major importer after 2000. Latin America (including Mexico), Asia, and North Africa also will increase imports significantly as incomes rise.

New access commitments by Japan and other countries will provide increased trade opportunities for nearly 1 million tons of coarse grains exports by 2000. Japan also will increase imports of livestock products which will dampen feed grain imports and could offset increased access commitments designated for industrial use. Increased livestock product imports by Korea will suppress its feed grain import expansion as well. However, reduced feed grain demand in Japan or Korea does not necessarily reduce global demand, since the livestock are fed elsewhere. Livestock imports represent transformed grain and other feed.

Restrictions on subsidized exports will create increased trade opportunities in coarse grains, but not until after 2000 because of developments in the European Union (EU). Baseline projections for EU coarse grain exports are below the maximum export levels allowed under UR export subsidy disciplines because of recent reform of the EU's Common Agricultural Policy (CAP). Subsidized EU barley exports are expected to rise above baseline levels for a few years as internal EU grain markets and production adjust to UR limits on subsidized wheat exports. However, increased EU coarse grain exports will have limited impact on world markets because they will likely be more than offset by reductions in EU feed wheat exports.

CAP reform, when fully implemented, will significantly reduce EU coarse grain exports independently of the UR. The increase in EU barley exports is short-lived. After 2000, UR restrictions on EU export subsidies constrain EU exports below baseline projections. This is expected to create trade opportunities for competitors, including the United States.

World trade will expand by 5-7 percent by 2005, presenting increased trade opportunities of 5-7.5 million tons. The United States is the dominant exporter in world coarse grain trade and will claim the greatest share of the increased global trade opportunity. The U.S. share

of baseline world exports rises to almost two-thirds by 2005. Larger increases in wheat prices than coarse grain prices will deter major competitors from responding to these trade opportunities. Argentina and Canada also face area limitations while baseline projections for the United States assume land idled under the Acreage Reduction Program (ARP) almost to 2005. In Australia, some arable cropland currently used for beef production could be brought back into production, but the increase will be modest compared to increases in the United States. Price relationships and other constraints are likely to result in a slight decline in Canadian exports and modest increases for Australia and Argentina.

By 2005, U.S. corn exports are projected to be 200-300 million bushels, 8-12 percent) above baseline projections. U.S. sorghum trade is expected to change little as higher Mexican imports are offset by lower Japanese imports. Higher U.S. net meat exports coupled with slightly higher U.S. per capita income will increase U.S. meat production and domestic coarse grain use by about 1 percent above baseline levels.

UR price impacts will be modest until after 2000. U.S. corn prices will rise well above baseline projections by 2005 with increases concentrated in later years as ARP requirements fall to zero. Between 2000 and 2005, corn area increases by about 1.5 million acres and production increases by about 250 million bushels annually. Barley and sorghum area and production will change little due to higher relative prices for wheat. Government program costs will be reduced significantly as feed grain deficiency payments decline. U.S. corn producers will benefit from higher production and higher prices with market returns increasing by 2-3 billion dollars by 2005 above baseline levels, more than offsetting reduced deficiency payments. The United States will not be required to reduce loan rates, target prices, or any other internal support measure for U.S. feed grains.

Table 6--Corn

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
World trade (feed grains)	mil. tons	98.3 - 98.6	1 - 2	113 - 116	5 - 7
United States:					
Planted acres	mil.	82.6 - 82.8	0 - 0	85.4 - 86.1	1 - 2
Production	bil. bu.	9.96 - 9.98	0 - 0	10.9 - 11.1	2 - 3
Exports	bil. bu.	2.02 - 2.11	5 - 10	2.54 - 2.64	8 - 12
Domestic use	bil. bu.	7.93 - 7.93	0 - 0	8.53 - 8.53	1 - 1
Farm price	$/bu.	2.36 - 2.46	0 - 5	2.66 - 2.72	6 - 9
Gross farm receipts	bil. $	23.5 - 24.6	0 - 5	29.1 - 30.1	8 - 12
Deficiency payments	bil. $	1.99 - 1.48	(7) - (31)	0.32 - 0.10	(77) - (93)

( ) denotes negative number.

RICE

The Uruguay Round (UR) Agreement will open the highly-protected high-income rice markets of Japan and Korea, maintain access to important markets in the European Union (EU), and limit adoption or expansion of trade distorting internal support policies in Asia and elsewhere. The UR will substantially increase world import demand for the medium-grain (japonica) rice preferred in Japan and Korea. As a major exporter of medium-grain rice, the United States will benefit significantly as U.S. prices and export values rise, but the full extent of the gain depends on U.S. capacity to expand production and exports.

Increased world incomes from the UR will have limited impacts for rice. Demand will tend to increase in Africa, the Middle East, and South America, but higher prices will largely offset income effects. Higher incomes in the rice cultures of Asia generally are associated with a more diversified diet rather than increased rice consumption. The largest UR trade opportunities in rice will result from elimination of rice import bans by Japan and Korea and establishment of import quotas that will rise to over 850,000 tons by 2000 and to nearly 1 million tons by 2005. The UR also will limit the adoption or expansion of trade-distorting internal support by major rice producers in Asia and elsewhere.

The agreement maintains access to the EU, one of the largest markets for U.S. rice. The EU will convert its variable import levies into tariffs and reduce them by 36 percent over 6 years. This significant cut in import protection may lead to future trade gains. The EU also agreed to bind the margin between the import price and its support price so that protection will not be increased if future EU policy reforms involve lower support prices. EU subsidized exports of rice also must be reduced.

By 2000, world import demand for rice will increase by about 5 percent above baseline projections, mostly for Japan and Korea. More than half of the gain will be for medium-grain rice, reflecting the strong consumer preference in these countries for high-quality japonica rice. Because the share of high-quality medium grain in world trade is only about 12 percent, the UR will have its largest impact in that market. Long-grain rice will account for about one third of the increase in world imports, and it will continue to account for the majority of world trade. Some increase in world imports will be filled by glutinous rice.

Medium-grain prices will rise substantially because of limited near-term potential for export expansion and minimal world medium grain stocks. A large increase in the world medium-grain price is needed to bid medium-grain rice away from traditional U.S. domestic and international markets and to induce some expansion of production. Long-grain prices also will rise but by much less.

High medium-grain prices will provide strong incentives for increased production in the United States, but expansion will be limited. If U.S. rice area could expand to 3.5 million acres by 2005, exports could approach 80 million cwt. Expansion would be aided by some combination of the following: 1) a no Acreage Reduction Program (ARP) rather than a zero

ARP which would force land out of the 50/85 program, 2) rapid development and adoption of high-quality japonica varieties in Arkansas or Mississippi, and 3) a period of sustained high market prices for japonica rice (above target price in many years) that would encourage low-cost producers to expand area, even outside the program.

Many rice analysts believe U.S. expansion capacity is severely limited by the following factors: 1) restrictions on the supply of low-cost irrigation water, especially in California, 2) the need to rotate area to control disease problems, and 3) high costs of production, particularly in Texas.

Australia is the largest exporter of quality japonica rice but faces severe area and water constraints and will not be able to expand production and exports greatly. China is the exporter that can most readily increase medium-grain exports and will gain from both higher prices and expanded export volumes. U.S. rice is of higher quality than Chinese rice, however, and the United States will capture the expanded demand for medium grain rice to the extent that it can expand production.

Due to climatic conditions, Thailand and Vietnam cannot produce high-quality japonica rice. Thailand will supply some long-grain rice to Japan, but Thailand and Vietnam will benefit mostly from the considerable redistribution of consumption and trade that will occur. Japan and Korea will likely bid away from current importers most of the supplies of high-quality medium grain rice from Australia and the United States. Those displaced importers will turn to Thailand and Vietnam for alternative rice supplies. Some current domestic U.S. users of medium-grain rice will shift to long-grain rice as medium-grain rice becomes relatively much more expensive. In turn, increased domestic U.S. long-grain use will cause U.S. prices to rise more than world prices for long-grain rice, displacing some U.S. long-grain exports to low-price markets, which will be taken over by Thailand or Vietnam.

U.S. rice producers fare well under the UR agreement. No changes in the domestic rice program is necessary to meet commitments on internal support. Although the United States will reduce tariffs on rice by 36 percent over 6 years, this is not expected to lead to any increase in imports. U.S. market prices increase 11-15 percent above baseline projections by 2005, approaching or exceeding target prices after 2000. This average price masks a much greater increase in medium-grain prices than in long-grain prices, but both will rise significantly. Total producer revenues will increase while deficiency payments decline substantially. Domestic rice consumption, growing steadily in baseline projections, will decline slightly because of higher prices.

Table 7--Rice

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
World trade	mil. tons	17.5 - 17.5	5 - 5	20.2 - 20.2	5 - 5
United States:					
Planted acres	mil.	3.14 - 3.45	2 - 12	3.16 - 3.51	2 - 14
Production	mil. cwt.	174 - 189	1 - 11	175 - 193	1 - 12
Exports	mil. cwt.	68 - 83	6 - 30	64 - 84	7 - 40
Domestic use	mil. cwt.	109 - 109	(2) - (2)	125 - 124	(2) - (2)
Farm price	$/cwt	10.3 - 10.4	12 - 13	11.0 - 11.4	11 - 15
Gross farm receipts	bil. $	1.79 - 1.98	14 - 26	1.92 - 2.20	12 - 29
Deficiency payments	bil. $	0.08 - 0.06	(68) - (79)	0 - 0	(100) - (100)

( ) denotes negative number.

SOYBEANS

The Uruguay Round (UR) has limited implications for soybeans because world trade in oilseeds and products is relatively unencumbered by high tariffs and non-tariff barriers and subsidized trade is relatively unimportant. Oilseed production also is relatively unsupported outside of the European Union (EU). Increased world soybean meal and soybean oil import demand from the UR depends principally on higher world incomes, and much of that impact will appear after 2000. Adjustments in other crops will heavily influence the outcomes for U.S. soybeans, in addition to the impact of increased domestic demand and exports. The United States will not be required to reduce loan rates or any other internal support measure for U.S. soybean production. By 2005, U.S. soybean production is projected to be as much as 3 percent higher and prices are expected to be as much as 9 percent above baseline levels.

The UR is expected to provide direct trade opportunities for soybeans and soybean meal, which are dispersed widely around the world. Modest increases in soybean meal equivalent imports (including meal content of soybean imports) are expected for Mexico and Eastern Europe. Larger imports are also anticipated in East Asian developing countries, where incomes are projected to increase most strongly. Large increases in Chinese demand for livestock products because of higher incomes is expected to produce less trade opportunity for oilseeds than for grains because Chinese rations are relatively low in oilseed meals. Soybean meal equivalent imports may increase marginally for Korea and Japan.

The positive impacts of the UR for soybeans and soybean meal are not restricted to increases in direct trade opportunities. In several markets, the UR will increase trade in livestock products rather than soybeans and soybean meal, and U.S. livestock product exports will gain. Livestock production will be displaced in Japan and Korea because of meat import commitments. In the EU, meat import commitments and restrictions on subsidized livestock exports constrain soybean and soybean meal demand. But, world demand for protein feed is not reduced, because the livestock are fed elsewhere. With increased beef exports, U.S. domestic soybean meal use is projected to increase by 700,000 tons, about 2.5 percent above baseline projections by 2005.

World demand for soybean meal equivalent imports is projected to increase by about 2 percent by 2005, 1.3 million tons of soybean meal equivalent above baseline projections. Expansion of foreign soybean production to capture increased world trade opportunities will be hampered by strongly increased production incentives for competing crops, particularly wheat. Argentina will likely reduce soybean product exports marginally because of increased wheat production. Brazilian exports in soybean meal equivalent will increase, but only marginally, because of increased domestic meal use as exports of livestock products rise. Paraguay has limited production alternatives and will increase production and exports, but from a small base. The United States is expected to capture the largest share of UR trade opportunities in soybeans and meal, increasing soybean exports by almost 1 million tons in 2005, about 4 percent above baseline projections.

Most expansion of soybean meal demand will be in developing countries with limited crushing capacity. Brazil and Argentina will favor expanded exports of products over soybeans while Paraguay will expand soybean exports. Increased demand will likely be stronger for U.S. soybean meal exports than for soybean exports.

Higher world incomes from the UR are likely to have a relatively strong impact on world vegetable oil demand, since vegetable oil consumption is more concentrated in developing countries than is meat and poultry consumption. Much of the gain in vegetable oil trade will likely be captured by Asian palm oil exports. The United States will reduce subsidized vegetable oil exports, temporarily reducing U.S. soybean oil prices and crushing margins. Increased world demand for vegetable oils and higher world prices will more than offset export subsidy reductions toward 2005, and U.S. soybean oil prices and crushing margins will rise above baseline projections. U.S. total soybean oil equivalent exports (including the oil content of soybean exports) also will increase above baseline projections by 2005.

The UR effect on U.S. and world soybean prices will be driven by increased competition among crops for land within the United States. After 2000, large increases in exports and increased use of grain for feeding will eliminate ARPs for wheat and corn and return much CRP and 0-85 program land to cultivation. Soybean prices will rise 5-9 percent above baseline levels by 2005 and planted area is expected to increase by about 2 million acres to meet increased demand.

Table 8--Soybeans

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
World trade 1/	mil. tons	57.6 - 58.2	0 - 1	65.1 - 66.3	1 - 3
United States:					
Planted acres	mil.	62.4 - 62.7	1 - 1	66.1 - 67.3	3 - 4
Production	mil. bu.	2.30 - 2.32	1 - 2	2.55 - 2.58	2 - 3
Soybean exports	mil. bu.	801 - 805	3 - 3	887 - 893	2 - 3
Soybean meal exports	mil. tons 2/	6.3 - 6.4	(3) - (1)	7.9 - 8.2	6 - 9
Soybean oil exports	mil. lbs.	1.31 - 1.36	(1) - 3	1.78 - 1.95	19 - 30
Domestic meal use	mil. tons 2/	26.9 - 27.0	1 - 1	28.5 - 28.7	2 - 3
Soybean price	$/bu.	6.00 - 6.20	0 - 3	6.70 - 6.90	5 - 9
Soybean meal price	$/ton 2/	207 - 212	2 - 5	229 - 236	6 - 9
Soybean oil price	cents/lb.	19.3 - 19.9	(6) - 3	21.4 - 21.6	2 - 3
Value of production	bil. $	13.8 - 14.4	1 - 4	17.1 - 17.8	8 - 12

( ) denotes negative number.
1/ Soybean meal equivalent. 2/ Short tons.

PEANUTS

Under the Uruguay Round (UR) agreement, the United States will reduce imports of peanut butter while providing increased access for edible peanut imports. U.S. producers will likely gain because the net effect is expected to be lower peanut-equivalent imports compared to baseline projections.

Edible peanut imports currently account for less than 0.1 percent of U.S. domestic consumption. Under the UR minimum access provisions, the United States will establish a tariff-rate quota for peanuts of 33,770 tons in 1995, growing to 56,283 tons at the end of the 6 years. Section 22 import quotas for peanuts will be replaced with high ad valorem tariffs. These tariffs will be reduced by the minimum required 15 percent in equal annual installments over 6 years, beginning in 1995. Under the UR, the United States will establish a tariff rate quota for peanut butter imports based on 1993 import levels. The over-quota ad valorem tariff will be reduced by the required minimum 15 percent.

The net effect of the market access provisions is a decrease in U.S. peanut-equivalent imports (including peanut butter) by 2000 compared with baseline projections. The tariff-rate quota for peanut butter effectively constrains the growth in peanut butter imports. Peanut butter imports have grown rapidly in recent years, and under baseline projections, would account for a significant share of U.S. domestic peanut consumption by 2005. Most peanut butter imports now come from Canada where Argentine and Chinese peanuts are processed into peanut butter for export to the United States.

Peanut demand in Asia and Western Europe will expand global peanut demand slightly as incomes grow due to the Uruguay Round. Lower trade barriers on peanuts may also improve import demand in Switzerland, Korea, and Thailand. China, the second-largest exporter, will undoubtedly compete for many of those markets.

The poundage for U.S. quota peanuts is now at the minimum allowed by current law (1,350 thousand short tons). The restraint on peanut butter imports under the Uruguay Round will lead to a gradual increase in quota peanut cultivated area and production. The increase in peanut kernel imports under the tariff rate quota will also increase the supply of edible peanuts.

The greater peanut availability will reduce domestic edible peanut prices resulting in only a slight increase in domestic food use because demand is relatively price inelastic. U.S. peanut producer income under the UR will be higher than levels expected without the agreement. Government peanut program outlays will be much lower compared to baseline projections--as much as $200 million per year.

Table 9--Peanuts

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
Total imports 1/	mil. lbs.	332	(67)	332	(71)
Peanut imports 2/	mil. lbs.	124	1,027	124	854
Peanut butter imports 1/	mil. lbs.	208	(79)	208	(81)
Planted acres	mil.	1.76	13	1.91	23
Production 1/	bil. lbs.	4.40	13	4.91	23
Exports 1/	mil. lbs.	920	(3)	1,020	(2)
Domestic food use 1/	bil. lbs.	2.36	51	2.62	53
Farm price	cents/lb.	32.9	0	36.5	(2)
Value of production	bil. $	1.45	13	1.79	25

( ) denotes negative number.
1/ Farmer's stock basis.
2/ Shelled and in-shell peanuts expressed as farmer's stock basis.

COTTON

The principal source of Uruguay Round (UR) impacts on cotton is higher world incomes which will increase world consumption of cotton textiles and apparel. Liberalization of textile and apparel trade eventually will further increase world cotton demand. Export subsidies are not important in world cotton trade, and support for cotton production is limited among GATT member countries. The United States will increase raw cotton exports about 500,000 to 1 million bales by 2005, with small increases in U.S. and world cotton prices.

UR impacts on cotton depend significantly on liberalization of textile and apparel trade. The flexibility of UR provisions for liberalization make the scale and timing of impacts uncertain. Most impacts will likely be negligible until after 2000. Importers retain discretion over products to be liberalized and will minimize impacts. Almost half of all textile products can remain under quota until after 2005. Broad transitional safeguards will prevent surges in imports during the transition period. China, the largest supplier of U.S. cotton textile and apparel imports, is not a GATT member and will receive limited benefits from liberalization. Chinese membership, expected during the next few years, will increase those benefits. Liberalization of textile and apparel trade will tend to transfer manufacturing from developed to developing countries. The greatest impacts will be on highly labor-intensive apparel trade in which developing countries have a strong advantage.

Higher incomes under the UR will increase world demand for cotton textiles and apparel. The largest income increases will occur in moderate-income developing countries where the propensity to spend additional income on clothing is high. Liberalization of textile and apparel trade also will increase world demand for cotton textiles and apparel as lower manufacturing costs in developing countries reduce apparel prices. The increase in mill use in developing countries will more than offset the decline in developed countries like the United States. For the United States, increased textile and apparel consumption and some increase in exports will partially offset increased textile and apparel imports, minimizing reductions in mill use. World consumption is expected to grow about 1.7 million bales above baseline projections by 2005.

Higher world consumption of textiles and apparel will require higher world cotton production. The United States is expected to increase cotton production as increased world demand for U.S. cotton exports more than offsets a decrease in U.S. mill use caused by more textile and apparel imports. Because the United States still has 1.4 million acres idled under the Acreage Reduction Program (ARP) in baseline projections for 2005, expansion of U.S. production will not require significant price increases or other adjustments.

The UR will increase world trade in textiles and apparel but is not expected to change world trade in cotton significantly. High-income countries will reduce cotton imports and expand textile and apparel imports as their textile industries face increased competition from lower-wage countries. Korea, Taiwan, Hong Kong, and Japan will reduce cotton imports as

textile and apparel exports decline to North America and Europe because UR liberalization of textile and apparel trade eliminates their assured quotas in those markets.

India, China, and Pakistan are major cotton producers that also are major manufacturers of yarn, textiles, and apparel. Under the UR, they will increase textile and apparel exports at the expense of cotton exports. As opportunities for textile and apparel exports open up in developed countries because of liberalization or world-wide because of higher incomes, these countries will seek to secure the employment gains that expansion of textile exports will provide. Under UR internal support disciplines, these countries have some flexibility in choosing internal support policies to assure adequate raw materials for expanded textile and apparel exports. However, increases in cotton consumption will continue to exceed increases in production, as in baseline projections. Larger increases in world prices for other crops, especially grains, will keep production in some countries from expanding as rapidly as consumption. In Australia, a major competitor for the United States, cotton production and exports will likely decline. Developing countries that have strong comparative advantages in labor-intensive apparel production, like Indonesia and Thailand, are expected to show large raw cotton import increases. Collectively, the countervailing influences on world cotton trade are largely offsetting. The reduction of raw cotton exports from several major competitors will provide significant export opportunities for the United States.

U.S. cotton producers benefit from smaller ARPs and higher production under the UR. Higher raw cotton exports more than offset decreased domestic use. Higher U.S. prices increase market returns and farm incomes, while deficiency payments decrease. Elimination of U.S. Section 22 import quotas for cotton will have virtually no effect on U.S. raw cotton imports because transportation costs are too high for foreign cotton to be competitive in the U.S. market. No changes in domestic commodity programs are required to meet the internal support commitments.

Table 10--Upland Cotton

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
World trade 1/	mil. bales	28.6 - 28.9	(1) - 0	30.4 - 30.9	(2) - 0
United States:					
Planted acres	mil.	13.2 - 13.3	2 - 2	13.7 - 14.2	1 - 4
Production	mil. bales	18.2 - 18.3	2 - 2	19.8 - 20.5	2 - 5
Exports	mil. bales	6.8 - 7.0	5 - 8	7.5 - 8.0	7 - 14
Domestic use	mil. bales	11.4 - 11.3	(1) - (2)	12.1 - 12.3	(3) - (2)
Farm price	cents/lb.	2/	1 - 2	2/	2 - 5
Gross farm receipts	bil. $	5.20 - 5.27	3 - 4	5.99 - 6.35	3 - 9
Deficiency payments	bil. $	0.77 - 0.74	3 - 0	0.61 - 0.54	(9) - (19)

( ) denotes negative number.
1/ Includes a small amount of Extra-Long Staple (ELS).
2/ USDA is prohibited from publishing projected cotton prices.

SUGAR

The Uruguay Round (UR) will have limited impacts on world sugar markets. Increased access commitments, lower tariffs, and reductions in subsidized exports will create trade opportunities for exporters. The largest impact on world sugar markets comes from increased demand due to the higher incomes brought on by trade liberalization. The UR will have minimal direct effect on the U.S. sugar sector. U.S. production, consumption, trade and domestic prices are expected to be little changed from baseline projections.

Tariff reductions on sugar and increased import commitments will increase import demand modestly. Japan, the Philippines, and Thailand will also reduce tariffs on particular sugar-containing products by about one-third.

By 2000, South Africa and the European Union (EU) will reduce subsidized exports by 200,000 and 340,000 tons, respectively, below average levels for 1986-90. However, unsubsidized EU exports are expected to increase. Sugarbeets have been more profitable than many other crops in the EU, particularly since reform of the Common Agricultural Policy has reduced grain and oilseed prices. EU commitments to reduce subsidized sugar exports will require reductions of EU production quotas. Sugar production will not decline as much as sugar production quotas are reduced, because higher world prices will make unsubsidized sugar more attractive than switching to other crops for some producers. EU and South African subsidized export reduction commitments amount to less than 2 percent of world trade.

Increased global income growth due to the UR will be the major factor boosting world demand and prices. Sugar consumption is especially responsive to higher incomes in developing countries. Per capita sugar consumption in China, for example, is still one of the lowest in the world, only one-third the world average and less than one-sixth of the high per capita consumption levels of Mexico and Brazil. In Asia, generally, per capita sugar consumption is well below the world average, and the propensity to spend additional income on sugar is high. The combined effects of the UR will increase world consumption and production by 1-2 percent above baseline projections in 2000 and 2-4 percent in 2005. The world sugar price is projected to increase 2-5 percent above baseline projections by 2000 and 4-8 percent by 2005.

The United States will bind tariff-rate import quotas at 22,000 tons refined sugar and 1.117 million tons raw sugar. These quota levels are similar to those under current U.S. legislation and below baseline projections of U.S. import requirements. The United States will convert Section 22 quotas on some sugar-containing products to tariff-rate quotas approximately equivalent to current quotas.

The U.S. tariff for over-quota raw sugar imports will be reduced by 15 percent to 14.45 cents a pound by 2000. The Section 22 import fee of 1 cent per pound on imports of refined sugar will be combined into the over-quota tariff and lowered 15 percent by 2000. Lower

U.S. tariffs will not result in U.S. sugar prices lower than baseline projections, except in the unlikely event of very low world prices. U.S. production, consumption, and trade also will remain generally unaffected by movements on world markets.

The production cost of high fructose corn syrup (HFCS), a major substitute for sugar, is expected to increase marginally because of higher corn prices. However, prices are also projected to rise for the major by-products of HFCS production, including corn gluten feed and corn oil, largely offsetting higher corn prices. The UR will have little effect on the competitiveness of HFCS with sugar.

Table 11--Sugar

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
World production	mil. tons	132 - 134	1 - 2	147 - 150	2 - 4
World price	cents/lb.	11.7 - 12.1	2 - 5	13.4 - 13.9	4 - 8
United States:					
Total imports	mil. tons	1.76 - 1.76	0 - 0	1.87 - 1.87	0 - 0
Quota imports	mil. tons	1.22 - 1.22	0 - 0	1.33 - 1.33	0 - 0
Production	mil. tons	7.85 - 7.85	0 - 0	8.19 - 8.19	0 - 0
Exports	mil. tons	0.45 - 0.45	0 - 0	0.45 - 0.45	0 - 0
Domestic use	mil. tons	9.15 - 9.15	0 - 0	9.60 - 9.60	0 - 0
Sugar price	cents/lb.	21.8 - 21.8	0 - 0	21.8 - 21.8	0 - 0
Gross farm receipts	bil. $	2.36 - 2.36	0 - 0	2.46 - 2.46	0 - 0

Effects of the Uruguay Round on Livestock

The Uruguay Round (UR) agreement will have significant U.S. trade effects for livestock products, but small domestic effects in terms of prices and production of livestock products. This partly flows from the condition that trade is a relatively small part of the U.S. industry. It is much more important for some of our trading partners for which trade may account for over half of production of the exporters or over half of consumption by importers.

Increased income under the UR will allow for added demand for meat products as individuals upgrade their diets and increase their meat consumption. The added income effect outweighs the increase in meat prices occasioned by higher costs from rising feed prices.

Rising cost for U.S. meat production is expected to occur primarily due to increased grain cost expected under the UR. The higher cost of production will limit the gains in demand for meat and livestock products. Initially higher grain costs will slow livestock production. U.S. cattle slaughter will initially rise during 1995 to 1997, boosting beef production, and more imports combine to lower all livestock meat prices. U.S. beef production will continue at marginally lower levels through 2000 but rebound above base levels by 2005. Higher grain prices will cause a small downturn for U.S. hogs and poultry in 1995 and 1996. By 1997 production of pork and poultry will be rebounding and be greater than the baseline with the difference widening from 2000 until 2005.

The dairy, poultry, eggs, pork markets will all be affected by reduced export subsidies. The prime beneficiary in world dairy markets will be New Zealand and Australia. U.S. broiler exports should increase, particularly for dark meat. U.S. eggs will shift from whole eggs to processed products as subsidies under the Export Enhancement Program decline. Reduced subsidies for Danish pork will cause more to be used internally and will redirect shipments from the U.S. market to Japan.

DAIRY

The Uruguay Round (UR) agreement will have minor impacts on the U.S. dairy industry. Production and commercial use will be about the same and milk prices are expected to increase. However, higher Government removals and reductions in Government-assisted exports under the Dairy Export Incentive Program (DEIP) is expected to cause Government expenditures to increase significantly. Government expenditures for the dairy program are projected to increase by about $200 million in 2000.

Under the UR agreement, the United States must replace its Section 22 quota with minimum access guarantees. The United States will establish tariff rate quotas which grow to 141,991 metric tons for cheese, 22,785 metric tons for milkfat solids and 26,825 metric tons for skim solids by 2000. Tariffs on these products will decline from 144.3 to 122.7 cents per kg for cheese, 181.3 to 154.1 cents per kg for butter, and 101.8 to 86.5 cents per kg for nonfat dry milk. Import access into the European Union (EU) will increase by 54,000 tons for nonfat dry milk and 119,000 tons for cheese. Import access for EU cheese will increase by only 13 percent, which reflects already sizeable imports from New Zealand that are a holdover from the British Accession Arrangements in 1974.

Under the UR agreement, countries are required to reduce both the quantity and level of subsidy which could be offered on exported products. Due to adjustments made since the base period, the EU can increase its subsidized exports of butter and nonfat dry milk from projected levels, but must decrease subsidized exports of cheese. By 2000, the United States cannot subsidize the export of more than 3,000 tons of cheese, 21,000 tons of butter/oil, 68,000 tons of non-fat dry milk, and 34 tons of other dairy products. Export subsidies for each commodity will be limited to $3.6 million, $30.5 million, $82.5 million, and $21,000 respectively.

The current international dairy market is dominated by the EU, which supplies half of the world's exports. The EU subsidizes virtually all of its dairy exports. New Zealand, which does not subsidize exports, and Australia, which uses small export subsidies financed by producer assessments, hold a combined share of about one-fourth of world exports. The remaining quarter of the export market is divided among several countries including the United States, Canada, and non-EU European countries. The major import markets are the Former Soviet Union for butter, Mexico for nonfat dry milk, and Japan for a full range of dairy products.

International dairy market adjustments resulting from the UR agreement will be driven primarily by export subsidy reductions and increases in import access required of the EU and the United States, and secondarily, access increases and stronger economic growth, particularly in East Asian and Latin American countries. Changes on the international butter and nonfat dry milk markets are expected to be small, a 2-percent price decline for butter

and a 5-percent increase for nonfat dry milk prices. Cheese prices are expected to increase by 15 percent over baseline levels by the end of the transition period.

Increases in demand, resulting from stronger economic growth under the UR, in combination with lower subsidized exports from the EU and United States, will strengthen international cheese and nonfat dry milk prices. These higher international milk prices are expected to lead to increases in milk production in Australia and New Zealand.

By 2005, U.S. imports are projected to increase by about 0.9 billion to 1.2 billion pounds, (total solids), compared with a 1.3 billion pound increase in quota. By 2000, U.S. subsidized exports under the UR will be limited to about one-half the dry milk exports anticipated in the baseline. The restrictions on butter and cheese exports are expected to have trivial effects.

The UR is expected to have little impact on U.S. milk production and commercial use. The UR is expected to result in higher feed prices but the increases in feed costs are expected to be offset by higher milk prices.

The 1990 Farm Bill effectively requires that all triggers for support price adjustments or added assessments be raised to reflect any increase in imports. Baseline projections of Commodity Credit Corporation (CCC) removals in the absence of a UR agreement triggers increases in the support price beginning in 1997. In these years, the effect of adjusting the trigger to reflect increases in imports is to increase the support price so that CCC removals equal base removals plus the increase in imports. Thus, higher imports will trigger increases in the support price if baseline projections are near the trigger level, 3.5 billion pounds, and purchases increase by less than the increase in imports.

In 2000, the support price for milk is expected to increase above baseline levels by about 20 cents per cwt, raising the average milk price by 10 cent per cwt. CCC net removals are projected to increase by about 1 billion pounds (milk equivalent basis), essentially the increase in imports. Since the UR is expected to limit subsidized export sales of dairy products, Government disposal of dairy products shift from subsidized exports to food aid exports, which raises net dairy program costs. Projected food aid exports are not expected to have a significant impact on international prices for dairy products.

Table 12--Dairy 1/

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
World Trade	mil. tons	22.6 - 23.1	(1) - 1	23.8 - 24.3	1 - 3
United States:					
Imports	bil. lbs.	3.5 - 3.8	35 - 46	3.5 - 3.8	35 - 46
Production	bil. lbs.	165 - 165	0 - 0	175 - 176	0 - 0
Exports 2/	bil. lbs.	3.5 - 4.1	6 - 24	3.5 - 4.1	6 - 24
Commercial use	bil. lbs.	161 - 162	0 - 0	171 - 172	0 - 0
Producer price 3/	$/cwt.	12.7 - 13.0	0 - 2	14.3 - 14.6	0 - 2
Value of production	bil. $	20.6 - 21.4	(1) - 3	24.8 - 25.6	0 - 3
Net government outlays	mil. $	350 - 450	178 - 257	440 - 530	133 - 180

( ) denotes negative number.
1/ Milk equivalent basis.
2/ Including food-aid.
3/ All milk price.

BEEF

The Uruguay Round (UR) is expected to increase world beef trade because of increased market access in East Asia and North America and because higher incomes will increase demand worldwide. U.S. beef imports are projected to increase by 6-10 percent by 2005, while exports increase by 10-14 percent and prices rise by 5-7 percent.

The largest impacts of the Uruguay Round (UR) for world beef trade result from increased access to markets in Japan, Korea, Canada, and the United States. Japan will reduce its beef tariffs from 50 percent to 38.5 percent by 2000. Korea will increase its import quota from the current 106,000-ton quota to 225,000 tons by 2000 and reduce the mark-up by the state trading agency on imported beef sold to Korean consumers. In 2001, Korea will eliminate all non-tariff barriers to trade, including state trading. A tariff of 44 percent will be established in 1995 and reduced 10 percent by 2004. Canada also will eliminate its meat import law restrictions on fresh, chilled, or frozen beef and veal imports from countries outside of North America and adopt a tariff-rate quota of 72,000 tons. The Philippines and Thailand will reduce import tariffs. Finally, higher world incomes will contribute to increased beef consumption, particularly in East Asia and Latin America.

The European Union (EU), the only major subsidizing exporter, will reduce subsidized exports to 817,000 tons by 2000. EU exports will be about 100,000 below baseline projections in 2005. Elimination of these exports will provide limited trade opportunities for other exporters. North Africa, the Middle East, Brazil and some of the smaller markets in East Asia that have benefited from subsidized EU exports are likely to replace those very low-priced beef imports with other meats, particularly poultry.

The United States will replace import quotas under the Meat Import Law with a tariff of 31.1 percent, to be reduced to 26.4 percent by 2000. A tariff-rate quota of 656,621 tons will be established. U.S. imports will increase by 6-10 percent above baseline projections by 2005.

World beef exports are projected to increase by as much as 4 percent in 2000 and 11 percent in 2005, despite EU export declines. The high quality of U.S. grain-fed beef will allow the United States to capture much of the increased trade opportunity in Korea and maintain its share of the increased Japanese market. Australia and New Zealand will increase exports. U.S. beef imports will rise more quickly than exports before 2000, but by 2005 U.S. beef exports will increase by 10-14 percent above baseline projections, significantly more than imports. The United States will remain a net importer, but net imports will decline. Because U.S. exports are generally of relatively high quality, the increase in value of U.S. beef exports will be much larger than the increase in value of imports. U.S. beef exports will increase $1.10-$1.35 billion.

The impacts of the UR on the U.S. beef sector will be limited. Beef production will increase by less than one-half of one percent by 2005, while producers' net returns per animal increase. Domestic consumption will be essentially unchanged, as income growth offsets slightly higher beef prices.

Table 13--Beef

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
World trade	mil.tons	5.40 - 5.60	0 - 4	5.80 - 6.20	4 - 11
United States:					
Imports	bil. lbs.	2.76 - 2.86	11 - 15	2.79 - 2.90	6 - 10
Production	bil. lbs.	25.7 - 26.2	(2) - 0	26.2 - 26.8	(1) - 1
Exports	bil. lbs.	1.96 - 2.03	7 - 11	2.22 - 2.30	10 - 14
Domestic use	bil. lbs.	26.4 - 27.0	(2) - 0	26.9 - 27.4	(1) - 1
Producer price 1/	$/cwt.	81 - 83	2 - 4	97 - 99	5 - 7
Value of exports	bil. $	3.55 - 3.79	11 - 19	5.18 - 5.45	19 - 25
Value of production	bil. $	35.2 - 35.9	1 - 3	42.8 - 43.6	4 - 6

( ) denotes negative number.
1/ Nebraska Direct Fed Steers.

PORK

The Uruguay Round (UR) Agreement increases access to highly-protected pork markets in Asia and Western Europe, reduces subsidized exports from the European Union (EU), and boosts global demand by raising world incomes. Higher international and domestic demand offsets rising feed costs, leading to an expansion in U.S. production at higher prices. The United States will increase pork exports 1.20-1.25 billion pounds by 2005.

Under the UR, Japan will cut its minimum import price (gate price) 15 percent from current levels, raising imports $290-$340 million above baseline projections for 2005. Korea will remove all non-tariff barriers to imports of frozen pork in 1997 and will reduce its tariff from 37 to 25 percent by 2004. As a result, Korean pork imports are expected to increase $75-$90 million above baseline projections by 2005. The Philippines will open a tariff rate quota for pork that will rise to 54,000 tons by 2004. Thailand will reduce its tariffs for pork from 60 to 30 percent on frozen products and from 60 to 40 percent on fresh products. Austria, Finland, and Norway will increase access for imported pork.

The EU will convert its variable import levies into tariff equivalents and will establish a quota for 75,000 tons of pork imports, with 39,000 tons reserved specifically for high value products such as tenderloins, boneless loins, and boneless hams. Eastern European producers that meet EU health and sanitary restrictions, like Poland, are in position to fill much of the quota, due to locational advantages and preferential access granted under Association Agreements. The EU also must reduce subsidized exports. Although it is estimated that the EU could export about one-third of its current sales without subsidy, by 2005, total EU exports will be about 190,000 tons below baseline projections. Major EU suppliers, such as Denmark, will likely decrease exports to North America and focus on maintaining market share in the growing, higher-priced Japanese market.

Higher incomes under the UR will increase world demand for pork. Empirical studies suggest that demand for total animal calories is most responsive to increases in income at per capita levels between $750 and $10,000. Countries in that income range, particularly in east Asia and Latin America, will increase demand for pork significantly as incomes rise. Increased domestic demand in competing exporters such as Taiwan and China could limit future export growth.

Higher incomes in developed countries, like the United States, also will increase demand. By 2005, higher incomes and reduced protection and lower prices in important markets will raise world per capita consumption by 2-3 percent above baseline projections. Increased demand, especially in non-pork producing regions, will increase world trade by 5-15 percent above baseline levels by 2005.

The U.S. pork sector will benefit generally as increased domestic and foreign demand more than offset higher feed costs due to rising corn and soybean meal prices. Under the UR, the

United States becomes a net exporter more quickly than under baseline projections as U.S. exports increase by 10-15 percent by 2005 and imports decline by a slightly higher percentage. U.S. pork exports will increase to key Asian markets, such as Japan and Korea, and to foot and mouth free regions of Latin America. Exports become a more important market for U.S. pork production, accounting for 6 percent of production by 2005. U.S. imports from the EU and Eastern Europe will decline, although products such as imported hams, which command a premium price, will continue. Little change in trade is expected with Canada, the largest supplier of pork to the United States.

By 2005, U.S. pork production is projected to expand 3-5 percent and producer prices will increase by a similar amount. U.S. tariff reductions will have limited effect because tariffs already are quite low. U.S. subsidized exports also are quite small, and required reductions will have little effect on trade.

Table 14--Pork

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
World trade	mil.tons	1.89 - 1.97	1 - 5	2.22 - 2.43	5 - 15
United States:					
Imports	bil. lbs.	0.67 - 0.60	(5) - (15)	0.57 - 0.52	(5) - (15)
Production	bil. lbs.	18.0 - 18.4	1 - 3	19.2 - 19.6	1 - 3
Exports	bil. lbs.	0.82 - 0.86	10 - 15	1.19 - 1.25	10 - 15
Domestic use	bil. lbs.	17.8 - 18.2	0 - 2	18.5 - 18.9	0 - 2
Producer price 1/	$/cwt.	57.3 - 58.5	0 - 3	64.5 - 65.8	3 - 5
Value of production	bil. $	15.1 - 15.4	2 - 4	17.8 - 18.2	5 - 7

( ) denotes negative number.
1/ Iowa/S. Minnesota barrow and gilt price.

POULTRY

The Uruguay Round (UR) Agreement increases access to high-income poultry markets in Asia and Western Europe, reduces subsidized exports from the European Union (EU), and boosts global demand by raising world incomes. Increased international demand offsets rising domestic feed costs, leading to an increase in U.S. broiler production. The United States is an efficient and competitive producer and will benefit significantly from higher world demand. U.S. poultry exports increase, rising by 32 percent by 2005, as foreign markets become an increasingly important outlet.

Required reductions in U.S. tariffs and export subsidies will have little effect on trade. Only about 2 percent of U.S. broiler exports were covered by subsidies in 1993, an amount that already is significantly less then the commitment level for 2000. Under the UR, the United States will reduce its already low tariffs on poultry by 20 percent. U.S. imports of poultry are negligible and the tariff reductions are likely to have no significant impact.

Under the UR, Korea will remove all non-tariff barriers to imports of frozen chicken in 1997 and will cut its tariff from 30.5 to 20 percent by 2004. Korea also will reduce the tariff on fresh and chilled whole chickens and chicken cuts. Japan will reduce its tariffs for the two major categories of imports, frozen boneless and bone-in legs. The Philippines will open a tariff rate-quota for poultry that will increase to 23,500 tons by 2004 and will cut the tariff on frozen turkey from 50 to 35 percent. Hong Kong, a major importer, will bind all tariffs for poultry at zero.

The EU will convert its variable import levies into tariff equivalents and will open a tariff-rate quota for poultry that will grow to 29,000 tons by 2000. The EU agreed to cut its tariff for processed turkey from 17 to 8.5 percent. The EU also must reduce subsidized exports. By 2005, EU exports will be about 200,000 tons below baseline projections. Reduced exports from the EU will create trade opportunities in important markets in the Middle East, including Saudi Arabia which is one of the world's leading poultry importers. Middle Eastern importers tend to favor a smaller whole bird, however, which could be provided largely by Brazil and Eastern Europe. Austria and Costa Rica will provide increased access for poultry as well.

Higher incomes under the UR are projected to increase world demand for poultry. Demand for total animal calories is most responsive to increases in income at per capita levels between $750 and $10,000. Countries in that income range, including the rapidly growing economies in east Asia and Latin America, are expected to increase demand for poultry significantly as incomes rise. Increased domestic demand in competing exporters, such as Brazil and Thailand, could limit future export growth.

Higher incomes in developed countries such as Japan also will increase demand. The combination of higher incomes and lower internal prices in important markets due to reduced

protection will raise world per capita consumption 1.5-2.0 percent above baseline projections by 2005. World trade will rise 3-7 percent above baseline levels by 2005.

The U.S. poultry sector will benefit as increased foreign demand more than offsets higher feed costs. U.S. exports are projected to increase 26-38 percent by 2005 as the share of production exported rises to 10 percent. The U.S. is expected to maintain its competitive advantage in leg quarters but will continue to be pressured on deboned poultry meat by lower labor costs in other countries. Increased exports will lead to a small reduction in total domestic consumption of poultry meat as lower valued leg quarters are bid away by export markets. U.S. demand is low for leg quarters, but darker meat is preferred in much of the world.

U.S. poultry production is projected to increase by about 1 percent and producer prices will likely increase 1-4 percent by 2005. Although increased exports will bid U.S. dark meat poultry out of domestic channels, domestic consumption of white meat poultry will increase. Also, some beef and pork will likely replace dark meat poultry used in the processing industry.

Table 15--Poultry

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
World trade	mil.tons	4.79 - 4.93	2 - 5	5.45 - 5.66	3 - 7
United States:					
Production	bil. lbs.	33.2 - 34.4	(3) - 1	38.0 - 38.7	(1) - 1
Exports	bil. lbs.	2.74 - 3.14	9 - 25	3.48 - 3.80	25 - 36
Domestic use	bil. lbs.	31.0 - 31.6	(2) - 0	34.6 - 35.3	(3) - (1)
Farm price 1/	cents/lb.	54.8 - 55.9	1 - 4	66.4 - 67.6	1 - 3
Value of production	bil. $	15.0 - 15.1	2 - 2	19.9 - 20.0	2 - 3

( ) denotes negative number.
1/ 12-city wholesale broiler price.

EGGS

The impacts of a Uruguay Round (UR) agreement on the U.S. egg industry are expected to be positive, but small. U.S. egg exports (including egg products) will likely increase as much as 6 percent, mainly as a result of reductions in subsidized European Union (EU) exports and increased income growth due to the agreement. Exports will remain a small share of U.S. egg production, about 2.5-3 percent. Prices are expected to rise 3-5 percent and production will increase less than 2 percent by 2005.

Under the UR agreement, U.S. subsidized table egg exports under the Export Enhancement Program (EEP) will be reduced to 6.92 million dozen by 2000. The reduction in EEP subsidies will refocus the market towards the export of U.S. egg products and hatching eggs rather than table eggs. The EU is required to reduce subsidized egg exports to 83,300 tons by 2000, a 26-percent decrease from 1991-92 levels.

Hong Kong, a key U.S. market for eggs and egg products, will bind tariffs at zero. Japan will reduce tariffs on dried and frozen egg yolks. Market access gains include Finland and Norway, which will establish tariff-rate quotas for eggs and egg products. Korea is expected to increase imports providing increased opportunities for U.S. sales, especially in egg products. The primary competitors facing U.S. exporters in the Korean market are the EU and neighboring Asian countries, especially China.

Income increases projected under the UR agreement would lead to increased demand for eggs and egg products, especially in Pacific Rim countries as well as countries in Central and South America. This will increase U.S. opportunities for trade in this region. Higher incomes resulting from the agreement will also stimulate increased domestic consumption.

Overall, the effect on the U.S egg industry is expected to be small. U.S. table egg exports are projected to decline under the agreement from baseline levels over the implementation period, but in the longer term, total U.S. egg and product exports will benefit from less subsidized exports from the EU and from further opening of world egg markets.

U.S. egg producers will face increased costs from higher corn and soybean meal prices, but this will be potentially offset by increased domestic demand resulting from the higher income growth expected from the UR agreement. Prices are expected to rise about 3-5 percent by 2005, increasing producers' net returns about 2 percent over baseline levels. Production will be less than 2 percent higher than baseline levels.

Table 16--Eggs

	Units	2000		2005	
		Uruguay Round	Percent change from baseline	Uruguay Round	Percent change from baseline
World trade	mil. doz.	605 - 620	3 - 5	630 - 650	3 - 7
United States:					
Imports	mil. doz.	5 - 20	(50) - 100	5 - 20	(50) - 100
Production	bil. doz.	6.13 - 6.25	(1) - 1	6.30 - 6.43	(1) - 1
Exports	mil. doz.	150 - 160	0 - 7	155 - 165	3 - 10
Domestic use 1/	bil. doz.	5.03 - 5.13	(1) - 1	5.06 - 5.16	(1) - 1
Farm price 2/	cents/doz.	79.1 - 80.7	1 - 3	93.6 - 95.5	3 - 5
Value of production 1/	bil. $	3.58 - 3.66	4 - 6	4.38 - 4.47	6 - 8

( ) denotes negative number.
1/ Excludes hatching use.
2/ New York wholesale Grade-A Large.

SPECIALTY CROPS

U.S. trade in horticultural products is expected to increase from baseline projections by 2000 with a Uruguay Round (UR) agreement because of lowered tariffs, higher incomes, improved phytosanitary dispute resolution procedures, and less competition with subsidized exports in some important U.S. markets. The quantity and value of U.S. exports would rise more than for imports.

Current U.S. import duties and nontariff barriers for horticultural products are lower, in general, than the duties and barriers faced by U.S. producers in export markets. Consequently, U.S. producers gain more in added export sales than they lose in domestic sales when trade barriers are lowered in all markets.

The UR agreement will lower the subsidies paid to European Union (EU) producers for fresh fruits and processed fruit and vegetable products exported to selected countries. With reduced subsidies, EU producers would export less subsidized products to markets in the Arabian Peninsula, Scandinavia, and the Pacific Rim countries. U.S. producers are in a good competitive position to capture a portion of the markets now held by subsidized EU products. In general, U.S. fresh fruits and processed fruits and vegetable products are recognized as having high quality, and U.S. producers can be cost competitive in most markets.

Fresh Vegetables

The UR agreement is not expected to result in any substantial change in U.S. production, prices, or trade in fresh vegetables because the current barriers to trade between the United States, Canada, and Mexico already are being phased-out under existing accords, and these are the primary destinations and sources for fresh vegetables. Tariffs between the U.S. and Canada are scheduled to be phased-out by 1998 under the U.S.-Canada Free Trade Agreement. Tariffs on trade with Mexico will be eliminated immediately or phased-out over 5-15 years starting January 1, 1994 under the North American Free Trade Agreement (NAFTA). Central American countries make up the third most important source of U.S. fresh vegetable imports. U.S. duties on imports from these countries already have been eliminated under the Caribbean Basin Initiative (CBI).

The largest volume of world trade in fresh vegetables occurs between nearby countries. The United States' biggest trade partners in fresh vegetables are Mexico and Canada. In the case of the EU countries, most of the fresh vegetable trade is with other EU countries, Mediterranean countries, or other nearby European countries. Usually fresh vegetable trade is based on seasonal climatic advantages. Fresh vegetables are perishable items and do not maintain their high quality during long periods of storage or transportation. Consequently, while countries with cold winter temperatures may grow their own fresh vegetables in the

summer, they import during the winter, usually from a nearby country with suitable climate and resources for growing winter vegetables.

Processed Vegetables

U.S. trade in processed vegetables are expected to rise above year 2000 baseline projections with the UR agreement, with imports of frozen vegetables such as broccoli, cauliflower, and asparagus rising more than exports, while exports of tomato products would rise somewhat more than imports. Export gains would occur in markets around the world because of lower duties and increased demand due to higher incomes.

Frozen asparagus, broccoli and cauliflower: The U.S. duty on most frozen vegetables would be lowered by 15 to 20 percent over 6 years. The current duty on most frozen vegetables is 17.5 percent ad valorem, and the cut under a UR agreement would not result in very many additional imports. Most of the United States' frozen asparagus, broccoli, and cauliflower imports come from Mexico and Central American countries whose trade will not be affected by a UR agreement. Central American countries are already relieved of paying the import duty because of the CBI. With Mexico, the tariff cuts under NAFTA would supplant the cuts under a UR agreement.

Tomato products: The UR agreement will result in increased U.S. trade in tomato products, with both exports and imports rising about 1 percent above the year 2000 baseline. The U.S. tariff on most canned tomato products is 13.6 percent ad valorem. Lowering the duty by 15 percent would boost imports marginally. Lowered tariffs in U.S. markets such as Japan, the Philippines, and Thailand will increase demand for U.S. canned tomato products and result in small increases in exports. Trade with Mexico will be determined by the provisions of NAFTA.

Canned mushrooms: The U.S. import tariff on canned mushrooms averaged about 13 percent in 1990. Hong Kong, Taiwan, and Indonesia were the largest suppliers. The United States will lower its duty on canned mushrooms by 15 percent under the UR agreement, but is not be expected to import very many additional mushrooms as a result of this change.

Dry Beans and Peas

Lower import duties in a number of countries and increased demand due to higher incomes would boost U.S. dry bean and pea exports a projected 5 percent above the year 2000 baseline levels.

The United States is a major net exporter of dry edible beans, exporting nearly 10 pounds for every one pound imported. U.S. import duties differ by class, but averaged about 6 percent for all dry beans and peas during 1990.

Canada, Mexico, Japan, and Algeria are the largest markets for U.S. dried beans and peas in most years. The United States exports smaller quantities of beans and peas to a number of developing countries, which in total adds up to an important market.

Noncitrus Fruits

Some of the biggest U.S. export increases among the horticultural specialty crops under the UR agreement are expected to occur among the deciduous fruits. U.S. apple exports are projected to rise 7.5 percent (about $30 million) above baseline levels in 2000 with the UR agreement. U.S. apple producers would realize additional export opportunities because of cutbacks in EU exports due to a reduction in export subsidies paid to EU producers.

Apples, grapes, and pears: The United States would export additional apples, grapes, and pears to its current markets such as Northern European and Pacific Rim countries as well as to new markets that would be opened as a result of lowered trade barriers. Gains in U.S. apple exports would occur in several northern European and Persian Gulf countries because EU producers would ship less subsidized fruit to those markets.

Although less than for apples, U.S. table grape exports are projected to increase, an estimated $5-$10 million above the 2000 baseline level, because of increased exports to a number of Pacific Rim markets. Reduced tariffs would lower prices, and higher incomes would boost demand in some of the traditional markets, while some new markets would be opened to U.S. grapes as a result of the tariffication under the UR.

The UR agreement would not result in any substantial increase in U.S. apple, pear, and grape imports. Apples and pears currently enter the U.S. duty free and the duty on table grapes is quite low. Consequently, apple and pear producers would not forfeit border protection, and grape producers would lose only a small amount of protection.

Wine: The ad valorem equivalent of the U.S. duties on wine range from 1 to 4 percent, and these would be cut by the minimum required 15 percent under the UR agreement. The reductions will have a minimal effect on U.S. wine imports, however, because the duty is such a small part of the value and much of the imported wine is a differentiated product and not very sensitive to changes in price.

U.S. exports are expected to rise because of lowered restrictions on wine imports in newly industrialized countries in Asia and in other relatively high income developing countries and because of reduced EU export subsidies for wine. Some developed countries have government monopolies on wine imports or distribution. Increases in U.S. wine exports to these countries would be expected under the UR agreement.

The EU would reduce the quantity of subsidized wine exports and the budgetary outlay for export subsidies under the UR agreement. These reductions would make U.S. wine more competitive in some of the EU's traditional markets.

Raisins: The UR agreement would strengthen demand for U.S. raisins in world markets because of lower tariffs and increased incomes in importing countries. The U.S. duty on seedless raisins would be cut by 20 percent under a UR agreement from 1 cent a pound to about 0.8 cents. U.S. producers would not incur any appreciable increased competition in the domestic market, however, because the tariff is such a small portion of the value. The ad valorem equivalent of the current U.S. import duty on raisins is about 2 percent.

The United States is the world's largest raisin producer and a major exporter. U.S. raisin exports in 1992 were valued at $181 million. The major markets are in Northern Europe, especially the United Kingdom, and in Japan.

U.S. raisins are premium quality and priced higher than most raisins. Consumers buy more U.S. raisins, switching from lower-quality and lower priced raisins from other countries when incomes rise. Higher incomes due to the UR agreement would increase the demand for higher quality raisins such as those produced in the United States.

Frozen strawberries: The UR agreement is not expected to appreciably increase U.S. frozen strawberry imports nor boost exports.

Mexico and South and Central American countries are the chief sources of U.S. strawberry imports. The United States imposes a 14-percent duty on frozen strawberry imports, which will be lowered by 20 percent under the UR agreement. This cut will not increase the net price received by the exporters in Mexico and South and Central America. U.S. import duties have been lowered to zero for the Central American countries under authority of the Caribbean Basin Initiative and will be phased out for Mexico under the North American Free-trade Agreement.

Canned fruit: U.S. gains in canned fruit exports (peaches, pears, and fruit mixtures) under the UR agreement would about offset additional imports. Tariff reductions and increased incomes in U.S. export markets, such as Japan and the Philippines, will result in additional demand for canned fruits and U.S. producers will gain a share of this increase. The EU has lowered its processor subsidies since 1986, however, and may not lower them any further due to the UR agreement. Consequently, the EU countries will remain strong competitors in the world canned fruit markets preventing U.S. producers from making major inroads into traditional EU export markets.

The United States provided export subsidies under the Export Enhancement Program (EEP) for a small amount of canned fruits (peaches and mixed fruit to Japan, Korea, and Mexico) in 1992 and 1993 and has a UR commitment, consequently, to eliminate the quantity and budgetary outlays for export subsidies for canned fruit between 1995-2000. This commitment is not expected to reduce U.S. canned fruit exports from baseline projections, however, since baseline projections for 1995-2000 were based on no EEP subsidies for canned fruit. No EEP funds were budgeted for canned fruit in fiscal 1994.

Fresh peaches and plums: The UR agreement will not appreciably alter U.S. imports of fresh peaches and plums because U.S. tariffs are so low that reducing them will not affect trade. U.S. exports also are not expected to be appreciably increased because most U.S. trade is with countries currently covered by other free trade agreements.

Although the U.S. tariff on fresh peach imports will be cut by 55 percent under the UR agreement, the in-season duty will decline from only about 0.2 cents a pound to 0.1 cent, a large percentage but a small nominal change. The U.S. imports a substantial amount of fresh peaches and plums from the Southern Hemisphere during the winter season, but these currently enter the U.S. duty free. Consequently, this trade is not expected to be affected by the UR agreement. The duty on fresh plums is zero year round.

Canada is the largest recipient of U.S. peaches and plums. The U.S.-Canada Free Trade Agreement already eliminates tariffs over a 10 year period, however, which means that the UR agreement will not likely affect exports to Canada.

Citrus

Orange Juice: Gross revenue to the U.S. domestic industry would rise about 2 percent above the baseline projection for 2000 with the UR agreement because of higher prices and marginally higher production. The U.S. domestic price for frozen concentrated orange juice (FCOJ) would increase by an estimated 2 percent from the year 2000 baseline projection because of higher world prices. The United States becomes a net exporter of FCOJ starting with the 1996/97 season under the baseline, thus the U.S. duty on orange juice is no longer a differential between the domestic and world price. Consequently, reducing tariffs in accordance with the UR agreement will not lower the U.S. domestic price and U.S. imports remain essentially unchanged.

Fresh oranges and grapefruit: The UR agreement would boost U.S. fresh orange and grapefruit exports moderately to Japan and other Asian markets because of lowered import tariffs. The import tariff in Japan is relatively high and reducing it would result in lower domestic prices, increased consumption, and increased imports.

U.S. imports are expected to remain essentially unchanged as a result of the UR agreement. The U.S. tariff is relatively low, and reducing it in accordance with the UR agreement is not expected to result in a noticeable increase in imports. Most U.S. citrus imports come from Mexico. The UR agreement would not have any effect on US trade with Mexico because the North American Free Trade Agreement will reduce trade barriers between the U.S. and Mexico more than the UR agreement.

Lemons: U.S. lemon exports are not expected to change very much with the UR agreement because tariffs in major markets already are relatively low. Japan is the major market for U.S. lemon exports. The current duty in Japan is only 5 percent and cuts due to the UR agreement will not boost U.S. exports to that market very much.

U.S. imports will not increase very much either. The main constraint to additional imports of lemons to the United States are phytosanitary regulations which are considered necessary to protect plant health. U.S. health and safety regulations are generally scientifically based and are expected to be found consistent with the UR sanitary and phytosanitary disciplines.

Tree Nuts

The value of U.S. tree nut exports would rise about 2 percent above the year 2000 baseline projection with the UR agreement because of increased sales to European and other world markets. The largest gains would occur in almond exports, estimated to rise 2-3 percent ($15-$20 million) above baseline projections. EU almond exports would decline by an estimated 5-10 percent because of diminished export subsidies, and U.S. growers would pick up most of this market. Lower tariffs in the EU, Austria, Turkey, Norway, Australia, and Korea under the UR agreement would boost demand for U.S. almonds. U.S. walnut exports would be boosted by tariff cuts in the EU, Austria, and Korea. Higher incomes due to trade liberalization also would contribute to increased demand for U.S. tree nuts.

U.S. imports of tree nuts would not increase very much because the United States is very competitive in the world tree nut market.

Greenhouse Nursery

The UR agreement is projected to result in a 3-4 percent increase in U.S. imports of cut flowers, mostly from EU countries. Current U.S. tariffs for cut flowers range from 4 to 8 percent. Under the UR, U.S. cut flower tariffs would be reduced by 20 percent (15 percent in the case of roses).

Colombia, Ecuador, and Peru are the biggest exporters of cut flowers to the United States. The UR agreement would not result in additional U.S. imports from these countries because the recently signed Andean Trade Preference Act granted duty-free entry to cut flowers.

The United States would export more fresh foliage, cut flowers, and potted plants to Japan and markets in the EU because of lower tariffs. The current EU tariff on fresh foliage (10 percent) and cut flowers (17-24 percent) would be reduced by 50 percent.

Table 17--Projected Increase in U.S. Specialty Product Exports Under the Uruguay Round

Commodity	Change from baseline			
	2000		2005	
	Million $	Percent	Million $	Percent
Fruits	82 - 122	2.6 - 3.9	132 - 196	3.5 - 5.2
Orange juice	3 - 5	1.9 - 2.7	5 - 7	2.5 - 3.5
Apples	23 - 35	6.0 - 9.2	30 - 46	6.3 -9.7
Pears	9 - 13	12.1 - 17.3	14 - 20	14.7 - 21.1
Raisins	2 - 3	0.8 - 1.3	3 - 5	1.3 - 2.1
Fresh grapes	5 - 7	1.6 - 2.4	7 - 11	1.9 - 3.1
Wine	12 - 18	4.1 - 5.9	22 - 32	6.1 - 8.9
Fresh oranges	12 - 18	4.0 - 5.8	22 - 32	6.0 - 8.8
Canned fruit	3 - 5	1.7 - 2.3	6 - 8	2.7 - 3.6
Other fruit	13 - 19	1.6 - 2.4	23 - 35	2.4 - 3.6
Tree nuts	18 - 26	1.6 - 2.4	27 - 39	2.0 - 3.0
Almonds	11 - 17	1.6 - 2.4	17 - 25	2.0 - 3.0
Other tree nuts	7 - 9	1.7 - 2.3	10 - 14	2.1 - 2.9
Vegetables	37 - 57	1.5 - 2.3	61 - 93	2.0 - 3.0
Tomatoes, fresh and processed	1 - 3	0.8 - 1.6	2 - 4	1.0 - 2.1
Frozen vegetables	10 - 14	3.2 - 4.0	16 - 24	4.1 - 6.2
Dried beans, peas, lentils	14 - 22	4.1 - 6.2	20 - 30	4.8 - 7.1
Other vegetables	12 - 18	0.8 - 1.2	23 - 35	1.2 - 1.8
Greenhouse and nursery	6 - 9	1.5 - 2.2	8 - 12	1.8 - 2.7
Cut flowers	3 - 5	4.3 - 6.4	4 - 6	4.4 - 6.7
Other	3 - 4	0.8 - 1.2	4 - 6	1.1 - 1.7
Fruits, tree nuts, and vegetables	137 - 205	2.0 - 3.0	220 - 328	2.7 - 4.0

APPENDIX I--GLOBAL ECONOMIC GROWTH FROM THE URUGUAY ROUND

The Uruguay Round (UR) will open markets in many countries simultaneously through reduced tariffs and the elimination of non-tariff barriers for a wide variety of goods and services, and it will enhance protection of intellectual and other property rights. Increased trading and investment opportunities will lead to reallocation of economic resources to more productive uses, where higher productivity will garner higher returns to those resources. Incomes will be increased generally in the process, both for owners of capital and for workers. In turn, higher incomes will increase demand for most products. When many countries pursue trade liberalization as in the UR, expanded income in each country leads to increased purchases from other countries. As trade increases, income increases for all nations.

These additions to income from trade liberalization are called static gains. In addition, higher incomes provide a larger base for savings and investment, and increased returns to capital and labor also encourage increased investment, technical innovation, and economic activity generally. Reduced trade barriers also increase the mobility of capital and technology. These additional increments to income growth are called dynamic gains.

Increased global incomes are a principal source of UR impacts on global and U.S. agriculture. Income increases are expected to be largest in developing countries of moderate income in which the propensity to spend additional income on food and clothing is particularly high. Cross-commodity effects will produce some unexpected impacts. Increased income will increase demand for rice in the Middle-Eastern and African countries where it is a superior food. In the rice-cultures of Asia, however, higher incomes will reduce rice consumption in favor of wheat and livestock products. Higher incomes always increase demand for livestock products and necessary feeds, but half of coarse grain consumption in developing countries is for food; higher incomes result in a shift from coarse grains to wheat and rice. Increased demand for livestock products in individual countries also may result in increased trade in feed rather than livestock products.

Income impacts from the UR will be cumulative, beginning with relatively small impacts which become quite large over the decade of implementation. Income impacts generally are almost three times as large in 2005 as they are in 2000.

The Office of the U.S. Trade Representative and the Council of Economic Advisers have estimated that the UR could increase global income by as much as $5.25 trillion cumulatively over a 10 year period in real terms. The potential additional income for the U.S. was estimated to be as much as $1.1 trillion, making U.S. incomes about 4 percent higher in 2005 because of the UR. An associated studied by DRI allocated impacts among regions and countries. These estimates incorporate both static and dynamic gains from trade liberalization and may present an upward bound estimate for the impact of the UR. USDA adopted these estimates as assumptions for a high-income scenario analysis of the impacts of the UR on global agriculture.

A lower bound for U.S. income growth is based on less optimistic expectations for dynamic gains from liberalization. Under this scenario, cumulative U.S. income growth over 10 years would be a minimum of 1.7 percent higher under the UR. USDA adopted this estimate for a low-income scenario analysis, assuming similarly reduced income effects for other developed economies. Somewhat less reduced income effects were assumed for developing countries because of the potential for foreign investment and technological transfer.

Table 18 presents the changes in Gross Domestic Product (GDP) assumed by USDA to result from the Uruguay Round for 2000 and 2005. Tariff rates and nontariff barriers in developing countries are relatively large compared to most industrialized countries. Consequently, growth rates due to liberalization are generally higher for those countries. The highly market-oriented Asian economies are assumed to have the highest income impacts (approximately 8 percent in the year 2005). The market-oriented Latin American countries were assumed to experience a slightly lower increase (approximately 6 percent in the year 2005), while African countries were assumed to have the lowest income impacts among developing countries (approximately 2 percent in the year 2005). The countries of the former Soviet Union and Eastern and Central European countries were assumed to experience an impact similar to the European Union. The income increase for Mexico due to the UR was assumed to be less than for other Latin American countries because the North American Free Trade Agreement already is assumed in baseline estimates to generate strong income growth for Mexico. India's income impact was assumed to be less than other Asian countries because of its comparatively closed economy.

Available information for development of income impact estimates for the Uruguay Round is unfortunately limited. USDA has relied upon the best studies and estimates employed by other U.S. government agencies and has employed both conservative and optimistic estimates in its assessments to establish a range of plausible implications.

Table 18--Assumed Percent Change in Real GDP from the Uruguay Round

Region	2000	2005
United States	0.7 - 1.5	1.8 - 4.1
Japan	1.1 - 2.5	3.0 - 6.8
Mexico	0.7 - 1.5	1.7 - 4.0
Other Developed Countries	0.7 -1.5	1.8 -4.2
Other South and East Asia	2.0 - 3.0	5.5 - 8.3
Other Latin America	1.5 - 2.2	4.0 - 6.0
Africa, Middle East, and Bangladesh	0.6 - 0.9	1.5 - 2.3

APPENDIX II--METHOD USED TO DERIVE JOB ESTIMATES

Employment estimates are based on "employment multipliers" that are estimated relationships between a change in the value of exports and the jobs generated directly and indirectly. USDA's Economic Research Service maintains a large input-output model of the U.S. economy with agricultural sector detail which includes employment multipliers associated with exports of specific agricultural commodities. Employment multipliers are derived from a 43-sector aggregation of the 542-sector, U.S. Department of Commerce input-output table of the 1982 U.S. economy.

The methodology used to derive jobs created due to the Uruguay Round (UR) is similar to the one used to derive jobs created due to the North American Free Trade Agreement. The years 2000 and 2005 were chosen to estimate job effects following full implementation of the UR. The employment multipliers were then adjusted to account for the anticipated growth in labor productivity from 1982 to 2000 and 2005. for the year 2008 reflect anticipated increases in labor productivity. Using the 1982 producer value employment multipliers from the input-output model, we assumed an 18 percent increase in productivity between 1982 and 2000 and a 23 percent increase between 1982 and 2005. The jobs created due to the increase in agricultural exports the United States due to the UR is the product of the employment multiplier and the change in trade for the commodity in respective period.

The number of jobs that would be created or lost due to increases in U.S. imports due to the Uruguay Round are not estimated. These imports are concentrated primarily in beef, dairy, and peanuts, which are expected to generate jobs associated with feeding, handling, shipping, and processing. The net effect may be job creating.

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